

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

**For The Fiscal Year Ended
June 30, 2013**

EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
BALLARD COUNTY FISCAL COURT

June 30, 2013

Romaine & Associates, PLLC has completed the audit of the Ballard County Fiscal Court for fiscal year ended June 30, 2013.

We have issued an unmodified opinion, based on our audit on the Statement of Receipts, Disbursements, and Changes in Cash Balances and Cash Equivalents - Regulatory Basis of Ballard County, Kentucky.

Financial Condition:

The Ballard County Fiscal Court had total receipts of \$5,707,175, an increase of \$23,344, disbursement of \$6,030,336, a decrease of \$170,042, and a cash and cash equivalents balance of \$734,385, a decrease of \$131,911 from the prior year.

Report Comments:

- 2013-01 The Fiscal Court Should Properly Account For And Report The Public Properties Corporation Fund
- 2013-02 The Fiscal Court Should Prepare A Schedule Of Federal Expenditures
- 2013-03 The Fiscal Court Should Maintain A Complete And Accurate Schedule Of Capital Assets
- 2013-04 The Fiscal Court Should Submit A Schedule Of Leases And Liabilities To The Department For Local Government
- 2013-05 The Fiscal Court Failed To Comply With State Laws And Regulations
- 2013-06 The General Fund, Road Fund, and Road Fund Has A Deficit Totaling \$3,566, \$38,504, & \$10,053 Respectfully
- 2013-07 The Jailer Has A Lack Of Segregation Of Duties Over Jail Canteen Operations
- 2013-08 The Jailer Should Have Required Daily Receipt Batching, Daily Check Out Sheets, And Daily Deposits
- 2013-09 Jail Commissary Expenditures Were Not Properly Supported
- 2013-10 The Jailer Should Comply With KRS 441.135 By Properly Accounting For And Reporting Jail Canteen Fund And Inmate Account

Deposits:

The fiscal court deposits were insured and collateralized by bank securities or bonds.

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To the People of Kentucky
Honorable Steven L. Beshear, Governor
Lori H. Flanery, Secretary
Finance and Administration Cabinet
Honorable Vickie Viniard, Ballard County Judge/Executive
Members of the Ballard County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Cash Balances and Cash Equivalents - Regulatory Basis of Ballard County, Kentucky, for the year ended June 30, 2013, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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

As described in more fully in Note 1, the financial statement is prepared by Ballard County, Kentucky 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 Ballard County, Kentucky as of June 30, 2013, 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 cash and cash equivalents of Ballard County, Kentucky as of June 30, 2013, and its cash receipts and disbursements, for the year then ended, in accordance with the financial reporting provisions prescribed or permitted by the Department for Local Government described in Note 1.

Emphasis of Matters

As discussed in Note 9 to the financial statement, in fiscal year 2013, the Ballard County Fiscal Court adopted new accounting guidance on a regulatory basis. Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the financial statement, the Ballard County Fiscal Court would have included some component entities under accounting principles generally accepted in the United State of America (GAAP) as established by the Government Accounting Standards Board. However, under the regulatory basis they are no longer required components of the reporting entity. Our opinion is not modified with respect to this matter.

To the People of Kentucky
 Honorable Steven L. Beshear, Governor
 Lori H. Flanery, Secretary
 Finance and Administration Cabinet
 Honorable Vickie Viniard, Ballard County Judge/Executive
 Members of the Ballard County Fiscal Court

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of Ballard County, Kentucky. 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The budgetary comparison schedules have 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 are fairly stated in all material respects in relation to the basic financial statement. The capital asset schedule has not been subjected to the auditing procedures applied in the audit of the basic financial statement and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 17, 2014 on our consideration of Ballard County, Kentucky'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 and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the accompanying comments and recommendations included herein, which discusses the following report comments:

- 2013-01 The Fiscal Court Should Properly Account For And Report The Public Properties Corporation Fund
- 2013-02 The Fiscal Court Should Prepare A Schedule Of Federal Expenditures
- 2013-03 The Fiscal Court Should Maintain A Complete And Accurate Schedule Of Capital Assets
- 2013-04 The Fiscal Court Should Submit A Schedule Of Leases And Liabilities To The Department For Local Government
- 2013-05 The Fiscal Court Failed To Comply With State Laws And Regulations
- 2013-06 The General Fund, Road Fund, and Road Fund Has A Deficit Totaling \$3,566, \$38,504, & \$10,053 Respectfully
- 2013-07 The Jailer Has A Lack Of Segregation Of Duties Over Jail Canteen Operations
- 2013-08 The Jailer Should Have Required Daily Receipt Batching, Daily Check Out Sheets, And Daily Deposits
- 2013-09 Jail Commissary Expenditures Were Not Properly Supported
- 2013-10 The Jailer Should Comply With KRS 441.135 By Properly Accounting For And Reporting Jail

To the People of Kentucky
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Members of the Ballard County Fiscal Court

Respectfully submitted,

A handwritten signature in cursive script that reads "Romaine & Associates, PLLC". The signature is written in black ink and is positioned below the "Respectfully submitted," text.

Romaine & Associates, PLLC

September 17, 2014

BALLARD COUNTY OFFICIALS

For The Year Ended June 30, 2013

Fiscal Court Members:

| | |
|-------------------|------------------------|
| Vickie Viniard | County Judge/Executive |
| Delaine Hazelwood | Magistrate |
| Steve Cooper | Magistrate |
| Martin Flournoy | Magistrate |
| Robert Renfrow | Magistrate |
| Larry Cooper | Magistrate |

Other Elected Officials:

| | |
|----------------|----------------------------------|
| Vicki Hayden | County Attorney |
| Mike Horn | Jailer |
| Lynn Lane | County Clerk |
| Holly Dunker | Circuit Court Clerk |
| Todd Cooper | Sheriff |
| Anita Campbell | Property Valuation Administrator |
| Robert Morrow | Coroner |

Appointed Personnel:

| | |
|----------------|------------------|
| Belinda Foster | County Treasurer |
| Leslie Story | Finance Officer |

BALLARD COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN CASH BALANCES AND CASH EQUIVALENTS - REGULATORY BASIS

For The Year Ended June 30, 2013

BALLARD COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN CASH BALANCES AND CASH EQUIVALENTS - REGULATORY BASIS

For The Year Ended June 30, 2013

| | Budgeted Funds | | |
|--|-------------------------|----------------------|----------------------|
| | General Fund | Road Fund | Jail Fund |
| RECEIPTS | | | |
| Taxes | \$ 1,062,184 | \$ | \$ |
| In Lieu Tax Payments | 10,509 | | |
| Excess Fees | 45,005 | | |
| Licenses and Permits | 1,078 | | |
| Intergovernmental | 116,288 | 1,638,282 | 472,102 |
| Charges for Services | | | 36,748 |
| Miscellaneous | 24,035 | 76,855 | 36,201 |
| Interest | 1 | 7 | 3 |
| Total Receipts | <u>1,259,100</u> | <u>1,715,144</u> | <u>545,054</u> |
| DISBURSEMENTS | | | |
| General Government | 892,191 | | |
| Protection to Persons and Property | 22,691 | | 778,175 |
| General Health and Sanitation | 19,251 | 74,703 | |
| Social Services | 2,654 | | |
| Recreation and Culture | 15,234 | | |
| Roads | | 1,377,587 | |
| Debt Service | | 141,227 | |
| Capital Projects | | | |
| Administration | 476,555 | 186,658 | 181,626 |
| Total Disbursements | <u>1,428,576</u> | <u>1,780,175</u> | <u>959,801</u> |
| Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses) | <u>(169,476)</u> | <u>(65,031)</u> | <u>(414,747)</u> |
| Other Adjustments to Cash (Uses) | | | |
| Borrowed Money | | 191,250 | |
| Transfers From Other Funds | 639,540 | 773,000 | 395,000 |
| Transfers To Other Funds | (487,000) | (924,250) | |
| Total Other Adjustments to Cash (Uses) | <u>152,540</u> | <u>40,000</u> | <u>395,000</u> |
| Net Change in Cash Balances and Cash Equivalents | (16,936) | (25,031) | (19,747) |
| Cash Balances and Cash Equivalents - Beginning | 13,372 | (13,472) | 9,693 |
| Cash Balances and Cash Equivalents - Ending | <u>\$ (3,564)</u> | <u>\$ (38,503)</u> | <u>\$ (10,054)</u> |

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

BALLARD COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN CASH BALANCES AND CASH EQUIVALENTS - REGULATORY BASIS
For The Year Ended June 30, 2013
(Continued)

| Budgeted Funds | | | | |
|---|---------------------------|--------------------------------------|-------------------------|--|
| Disaster Emergency Services Fund | Ambulance Fund | Occupational Tax Fund | Library Fund | Medical Reimbursements Fund |
| \$ | \$ | \$ 1,238,681 | \$ | \$ |
| 121,962 | 10,714 | | | |
| | 385,856 | | | |
| | 3,523 | 51,595 | | 142,120 |
| 87,986 | | 3,416 | | |
| <u>209,948</u> | <u>400,093</u> | <u>1,293,692</u> | | <u>142,120</u> |
| | | 301,977 | | |
| 32,239 | 588,044 | | | |
| 17,320 | | | | |
| | | 186,228 | | |
| 8,201 | | 33,667 | | |
| | 154,030 | 7,848 | | 121,592 |
| <u>57,760</u> | <u>742,074</u> | <u>529,720</u> | | <u>121,592</u> |
| <u>152,188</u> | <u>(341,981)</u> | <u>763,972</u> | | <u>20,528</u> |
| 24,500 | 338,000 | 401,000 | | 2,000 |
| <u>(179,000)</u> | <u>(6,000)</u> | <u>(1,217,868)</u> | <u>(540)</u> | <u>(28,000)</u> |
| <u>(154,500)</u> | <u>332,000</u> | <u>(816,868)</u> | <u>(540)</u> | <u>(26,000)</u> |
| (2,312) | (9,981) | (52,896) | (540) | (5,472) |
| 4,939 | 41,356 | 580,037 | 540 | 17,488 |
| <u>\$ 2,627</u> | <u>\$ 31,375</u> | <u>\$ 527,141</u> | <u>\$ 0</u> | <u>\$ 12,016</u> |

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

BALLARD COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN CASH BALANCES AND CASH EQUIVALENTS - REGULATORY BASIS
For The Year Ended June 30, 2013
(Continued)

| | <u>Unbudgeted Funds</u> | | |
|--|---|-------------------------------------|------------------------|
| | <u>Public Properties Corporation Fund</u> | <u>Jail Commissary Fund</u> | <u>Total Funds</u> |
| RECEIPTS | | | |
| Taxes | \$ | \$ | \$ 2,300,865 |
| In Lieu Tax Payments | | | 10,509 |
| Excess Fees | | | 45,005 |
| Licenses and Permits | | | 1,078 |
| Intergovernmental | 128,922 | | 2,488,270 |
| Charges for Services | | 1,350 | 423,954 |
| Miscellaneous | | | 334,329 |
| Interest | 11,752 | | 103,165 |
| Total Receipts | <u>140,674</u> | <u>1,350</u> | <u>5,707,175</u> |
| DISBURSEMENTS | | | |
| General Government | | | 1,194,168 |
| Protection to Persons and Property | | 4,651 | 1,425,800 |
| General Health and Sanitation | | | 111,274 |
| Social Services | | | 2,654 |
| Recreation and Culture | | | 15,234 |
| Roads | | | 1,377,587 |
| Debt Service | 403,154 | | 730,609 |
| Capital Projects | | | 41,868 |
| Administration | 2,833 | | 1,131,142 |
| Total Disbursements | <u>405,987</u> | <u>4,651</u> | <u>6,030,336</u> |
| Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses) | <u>(265,313)</u> | <u>(3,301)</u> | <u>(323,161)</u> |
| Other Adjustments to Cash (Uses) | | | |
| Borrowed Money | | | 191,250 |
| Transfers From Other Funds | 269,618 | | 2,842,658 |
| Transfers To Other Funds | | | <u>(2,842,658)</u> |
| Total Other Adjustments to Cash (Uses) | <u>269,618</u> | | <u>191,250</u> |
| Net Change in Cash Balances and Cash Equivalents | 4,305 | (3,301) | (131,911) |
| Cash Balances and Cash Equivalents - Beginning | 205,322 | 7,021 | 866,296 |
| Cash Balances and Cash Equivalents - Ending | <u>\$ 209,627</u> | <u>\$ 3,720</u> | <u>\$ 734,385</u> |

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

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENT**

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BALLARD COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2013

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statement of Ballard County includes all budgeted and unbudgeted funds under the control of the Ballard 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 include non-fiduciary financial activities that are within the county's control. Unbudgeted funds may also include any corporation created 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 following entities: Ballard County Industrial Development Authority and Ballard County Public Properties Corporation would have been included in the reporting entity under accounting principles generally accepted in the United State of America (GAAP) as established by the Government Accounting Standards Board. However under the regulatory basis they are no longer are required components of the reporting entity. The components units are presented as an unbudgeted fund in the regulatory basis of accounting.

B. Basis of Accounting

The financial statement is presented on a regulatory basis of accounting, which is a 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 Government Accounting Standards Board. This basis of accounting involves the reporting of cash and cash equivalents 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 and 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.

BALLARD COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

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

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of receipts for this fund are reimbursements from the state and federal government, 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.

Disaster Emergency Services Fund - The primary purpose of this fund is to account for grants and related expenditures when disaster and emergency events occur. The primary sources of receipts for this fund are grants from the state and federal governments.

Ambulance Fund – The purpose of this fund is to account for funds received and expended in the operation of the ambulance services provided by the county.

Occupational Tax Fund – The purpose of this fund is to account for payroll tax receipts and expenses. The occupational tax fund may be used for general purpose expenses which the county budgeted for general government, debt service, capital projects and administration for the fiscal year. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Library Tax Fund – The purpose of this fund is to account for funds received from the library tax for the construction of a county library.

Medical Reimbursement Fund – This fund was established to account for a flexible spending account offered to the Ballard County employees. If an employee elects not to participate in the County's health insurance program, their employer's monthly health premium contribution is deposited and held in their name to be used by the employee for qualifying medical expenses.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

Public Properties Corporation - The purpose of this fund is to account for debt service requirements of general obligation bonds of the fiscal court. The Department for Local Government does not require the fiscal court to report or budget these funds.

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation 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 Canteen Fund.

BALLARD COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information

Annual budgets are adopted on a cash basis of accounting 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 expenditures 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. Expenditures may not exceed budgeted appropriations at the activity level.

E. Ballard County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Ballard 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 Ballard County, Kentucky.

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

F. Deposits and Investments

The government's cash and cash equivalents are 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.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, 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 expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other adjustments to cash.

BALLARD COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(Continued)

Note 2. Deposits and Investments

A. 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(4), 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 county 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 41.240(4). As of June 30, 2013, 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 2013.

| | General Fund | Road Fund | DES Fund | Ambulance Fund | Occupational Tax Fund | Library Tax Fund | Medical Reimbursement Fund | Total Transfers In |
|----------------------------|--------------|------------|------------|----------------|-----------------------|------------------|----------------------------|--------------------|
| General Fund | | \$ 175,000 | \$ 25,000 | \$ 4,000 | \$ 433,000 | \$ 540 | \$ 2,000 | \$ 639,540 |
| Road Fund | \$ 305,000 | | 111,000 | | 357,000 | | | 773,000 |
| Jail Fund | 75,000 | 93,000 | 43,000 | | 164,000 | | 20,000 | 395,000 |
| DES Fund | | 2,000 | | | 22,500 | | | 24,500 |
| Ambulance Fund | 57,000 | 118,000 | | | 163,000 | | | 338,000 |
| Occupational Tax Fund | 50,000 | 345,000 | | | | | 6,000 | 401,000 |
| Medical Reimbursement Fund | | | | 2,000 | | | | 2,000 |
| PPC Fund | | 191,250 | | | 78,368 | | | 269,618 |
| Total Transfers Out | \$ 487,000 | \$ 924,250 | \$ 179,000 | \$ 6,000 | \$ 1,217,868 | \$ 540 | \$ 28,000 | \$ 2,842,658 |

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.

BALLARD COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(Continued)

Note 4. Long-term Debt

A. General Obligation Detention Facility Refinancing Bonds, Series 2002

Ballard County issued General Obligation Detention Facility Refinancing Bonds, Series 2002, dated October 1, 2002, for the purpose of 1) advance refunding all of the outstanding Series 1995A bonds issued by the Ballard County Public Properties Corporation; and, 2) paying the cost of issuance on the bonds. As of June 30, 2005, the Series 1995A bonds had been called. Ballard County issued \$2,070,000 of refinancing bonds, the proceeds of which were used to discharge all prior bonds. As of June 30, 2013, outstanding bond principal was \$390,000. Future principal and interest requirements are:

| Fiscal Year Ended June 30 | Principal | Interest |
|------------------------------|-------------------|------------------|
| 2014 | \$ 190,000 | \$ 15,660 |
| 2015 | 200,000 | 8,250 |
| Totals | <u>\$ 390,000</u> | <u>\$ 23,910</u> |

B. Courthouse Facility First Mortgage Refunding Revenue Bonds, Series 2007

The Ballard County Public Properties Corporation issued First Mortgage Refunding Revenue Bonds, Series 2007, dated February 8, 2007, for the purpose of 1) advance refunding all of the outstanding Series 1995B bonds issued by the Ballard County Public Properties Corporation; and, 2) paying the cost of issuance on the bonds. As of June 30, 2007, the Series 1995B bonds had been called. Ballard County issued \$1,675,000 of refinancing bonds, the proceeds of which were used to discharge all prior bonds. As of June 30, 2013, outstanding bond principal was \$740,000. Future principal and interest requirements are:

| Fiscal Year Ended June 30 | Principal | Scheduled Interest |
|------------------------------|-------------------|-----------------------|
| 2014 | \$ 175,000 | \$ 24,335 |
| 2015 | 180,000 | 17,768 |
| 2016 | 190,000 | 108,575 |
| 2017 | 195,000 | 3,656 |
| Totals | <u>\$ 740,000</u> | <u>\$ 154,334</u> |

BALLARD COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(Continued)

Note 4. Long-term Debt (Continued)

C. Financing Agreement - Road Project #2

On October 1, 2007, Ballard County entered into a financing agreement with the Kentucky Association of Counties Leasing Trust Program (KACoLT) for the financing of a road paving project to be located and used in Ballard County, Kentucky. The principal of the lease is \$650,000 with repayment to be made over a seven year period. Principal payments are due monthly on the 20th of each month in variable amounts; interest plus associated fees are due monthly in variable amounts. As of June 30, 2013, outstanding lease principal was \$144,850. Future principal and interest requirements are:

| Fiscal Year Ended June 30 | Principal | Scheduled Interest |
|------------------------------|-------------------|-----------------------|
| 2014 | \$ 107,522 | \$ 4,282 |
| 2015 | 37,328 | 443 |
| Totals | <u>\$ 144,850</u> | <u>\$ 4,725</u> |

D. Financing Agreement - Ambulance

On January 19, 2012, Ballard County entered into a financing agreement with the Kentucky Association of Counties Leasing Trust Program (KACoLT) for the purchase of an ambulance to be used in the Ballard County. The principal of the lease is \$79,999 with repayment to be made over a six year period. Principal payments are due monthly on the 20th of each month in variable amounts; interest plus associated fees are due monthly in variable amounts. As of June 30, 2013, outstanding lease principal was \$65,331. Future principal and interest requirements are:

| Fiscal Year Ended June 30 | Principal | Scheduled Interest |
|------------------------------|------------------|-----------------------|
| 2014 | \$ 10,840 | \$ 2,748 |
| 2015 | 11,201 | 2,247 |
| 2016 | 11,574 | 1,730 |
| 2017 | 11,960 | 1,195 |
| 2018 | 12,358 | 643 |
| 2019 | 7,398 | 113 |
| Totals | <u>\$ 65,331</u> | <u>\$ 8,676</u> |

E. Financing Agreement - Recycling Equipment

On May 15, 2008, Ballard County entered into a financing agreement with the Kentucky Association of Counties Leasing Trust Program (KACoLT) for the purchase of recycling equipment to be used in the Ballard County. The principal of the lease is \$45,000 with repayment to be made over a five year period. Principal payments are due monthly on the 20th of each month in variable amounts; interest plus associated fees are due monthly in variable amounts. As of June 30, 2013, the lease was retired.

BALLARD COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(Continued)

Note 4. Long-term Debt (Continued)

F. Financial Agreement – Ambulance Equipment

On January 3, 2012, Ballard County entered into a financing agreement with the Kentucky Association of Counties Leasing Trust Program (KACoLT) for the purchase of ambulance equipment. The principal of the lease is \$15,000 with repayment to be made over a four year period. Principal payments are due monthly on the 3rd of each month in variable amounts; interest plus associated fees are due monthly in variable amounts. As of June 30, 2013, outstanding lease principal was \$44,733. Future principal and interest requirements are:

| Fiscal Year Ended June 30 | Principal | Scheduled Interest |
|------------------------------|------------------|-----------------------|
| 2014 | \$ 3,696 | \$ 188 |
| 2015 | 3,760 | 124 |
| 2016 | 3,826 | 58 |
| 2017 | 1,290 | 5 |
| Totals | <u>\$ 12,572</u> | <u>\$ 375</u> |

G. Financial Agreement – Tractor Mower

On August 11, 2010, Ballard County entered into a financing agreement with the Kentucky Association of Counties Leasing Trust Program (KACoLT) for the purchase of a tractor mower to be used in the Ballard County. The principal of the lease is \$97,436 with repayment to be made over a five year period. Principal payments are due monthly on the 20th of each month in variable amounts; interest plus associated fees are due monthly in variable amounts. As of June 30, 2013, outstanding lease principal was \$44,733. Future principal and interest requirements are:

| Fiscal Year Ended June 30 | Principal | Scheduled Interest |
|------------------------------|------------------|-----------------------|
| 2014 | 20,143 | 1,632 |
| 2015 | 21,003 | 690 |
| 2016 | 3,587 | 21 |
| Totals | <u>\$ 44,733</u> | <u>\$ 2,343</u> |

H. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2013, was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--------------------------|----------------------|------------------|-------------------|---------------------|------------------------|
| General Obligation Bonds | \$ 570,000 | \$ - | \$ 180,000 | \$ 390,000 | \$ 190,000 |
| Revenue Bonds | 910,000 | - | 170,000 | 740,000 | 175,000 |
| Financing Obligations | 394,895 | 15,000 | 142,409 | 267,486 | 142,201 |
| Total Long-term Debt | <u>\$ 1,874,895</u> | <u>\$ 15,000</u> | <u>\$ 492,409</u> | <u>\$ 1,397,486</u> | <u>\$ 507,201</u> |

BALLARD COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(Continued)

Note 5. Short-term Debt

A. Financial Agreement – Operating Loan

In June of 2012, Ballard County entered into a financing agreement with First Southern Bank for the purpose of operating funds in Ballard County. The principal of the lease is \$184,395 with repayment to be made within 60 days. As of June 30, 2013, the note was retired.

B. Financial Agreement – Operating Loan

In June of 2013, Ballard County entered into a financing agreement with First Southern Bank for the purpose of operating funds in Ballard County. The principal of the lease is \$191,250 with repayment to be made within 60 days. As of June 30, 2013, outstanding lease principal was \$191,250.

C. Changes In Short-term Liabilities

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|-----------------------|----------------------|-------------------|-------------------|-------------------|------------------------|
| Financing Obligations | 184,395 | 191,250 | 184,395 | 191,250 | 191,250 |
| Total Short-term Debt | <u>\$ 184,395</u> | <u>\$ 191,250</u> | <u>\$ 184,395</u> | <u>\$ 191,250</u> | <u>\$ 191,250</u> |

Note 6. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. 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.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 19.55 percent.

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9 percent of their salary to be allocated as follows: 8% will go to the member's account and 1% will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 37.60 percent.

The county's contribution for FY 2011 was \$364,066, FY 2012 was \$405,624, and FY 2013 was \$458,201.

BALLARD COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(Continued)

Note 6. Employee Retirement System (Continued)

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 (members 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.

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

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.

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

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. 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.

BALLARD COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(Continued)

Note 7. Deferred Compensation

For the year ended June 30, 2013, the Ballard 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 permits 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 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, 2013, Ballard County 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 a 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 9. Change in Basis of Accounting

Ballard County, Kentucky, has changed its basis of accounting from presenting its financial statements in accordance with the modified cash basis of accounting and relevant Government Accounting Standards Board (GASB) pronouncements to the regulatory basis of accounting as prescribed or permitted by the Department for Local Government and the laws of the Commonwealth of Kentucky. The accounting change had no effect on the beginning cash balances of the various county funds as presented.

Note 10. Agency Trust Funds

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:

Inmate Fund - This fund accounts for funds received by the inmates held in the Ballard County Jail. The balance of the Inmate Fund as of June 30, 2013 was \$8,332.

Note 11. Subsequent Events

In preparing the financial statements, management has evaluated events and transactions for potential recognition or disclosure through September 17, 2014, the date financial statements were available to be issued.

**BALLARD COUNTY
SUPPLEMENTARY SCHEDULES
Supplementary Information - Regulatory Basis**

For The Year Ended June 30, 2013

BALLARD COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2013

| | GENERAL FUND | | | |
|--|---------------------|------------------|--|---|
| | Budgeted Amounts | | Actual Amounts, (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
| | Original | Final | | |
| RECEIPTS | | | | |
| Taxes | \$ 976,555 | \$ 976,555 | \$ 1,062,184 | \$ 85,629 |
| In Lieu Tax Payments | 15,056 | 15,056 | 10,509 | (4,547) |
| Excess Fees | 42,000 | 42,000 | 45,005 | 3,005 |
| Licenses and Permits | 800 | 800 | 1,078 | 278 |
| Intergovernmental Revenue | 106,786 | 106,786 | 116,288 | 9,502 |
| Charges for Services | 40,000 | 40,000 | | (40,000) |
| Miscellaneous | 175,878 | 175,878 | 24,035 | (151,843) |
| Interest | 2,401 | 2,401 | 1 | (2,400) |
| Total Revenues | <u>1,359,476</u> | <u>1,359,476</u> | <u>1,259,100</u> | <u>(100,376)</u> |
| DISBURSEMENTS | | | | |
| General Government | 917,496 | 999,358 | 892,191 | 107,167 |
| Protection to Persons and Property | 28,828 | 28,828 | 22,691 | 6,137 |
| General Health and Sanitation | 23,872 | 23,872 | 19,251 | 4,621 |
| Social Services | 7,500 | 7,500 | 2,654 | 4,846 |
| Recreation and Culture | 90,000 | 90,000 | 15,234 | 74,766 |
| Debt Service | 365,500 | 351,500 | | 351,500 |
| Administration | 702,485 | 659,623 | 476,555 | 183,068 |
| Total Expenditures | <u>2,135,681</u> | <u>2,160,681</u> | <u>1,428,576</u> | <u>732,105</u> |
| Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses) | <u>(776,205)</u> | <u>(801,205)</u> | <u>(169,476)</u> | <u>631,729</u> |
| Other Adjustments to Cash (Uses) | | | | |
| Transfers From Other Funds | 490,430 | 515,430 | 639,540 | 124,110 |
| Transfers To Other Funds | (114,225) | (114,225) | (487,000) | (372,775) |
| Borrowed Money | 350,000 | 350,000 | | (350,000) |
| Total Other Adjustments to Cash (Uses) | <u>726,205</u> | <u>751,205</u> | <u>152,540</u> | <u>(248,665)</u> |
| Net Change in Cash and Cash Equivalents | (50,000) | (50,000) | (16,936) | 33,064 |
| Cash and Cash Equivalents Balances - Beginning (Restated) | <u>50,000</u> | <u>50,000</u> | <u>13,372</u> | <u>(36,628)</u> |
| Cash and Cash Equivalents Balances - Ending | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ (3,564)</u> | <u>\$ (3,564)</u> |

BALLARD COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2013
(Continued)

| | ROAD FUND | | | |
|--|------------------|---------------------|--|---|
| | Budgeted Amounts | | Actual Amounts, (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
| | Original | Final | | |
| RECEIPTS | | | | |
| Taxes | \$ | \$ | \$ | \$ |
| Intergovernmental Revenue | 1,071,297 | 1,071,297 | 1,638,282 | 566,985 |
| Miscellaneous | 139,888 | 139,888 | 76,855 | (63,033) |
| Interest | 200 | 200 | 7 | (193) |
| Total Revenues | <u>1,211,385</u> | <u>1,211,385</u> | <u>1,715,144</u> | <u>503,759</u> |
| DISBURSEMENTS | | | | |
| General Health and Sanitation | 102,162 | 104,864 | 74,703 | 30,161 |
| Roads | 1,111,911 | 1,530,329 | 1,377,587 | 152,742 |
| Debt Service | 168,373 | 141,227 | 141,227 | |
| Administration | 302,000 | 293,866 | 186,658 | 107,208 |
| Total Expenditures | <u>1,684,446</u> | <u>2,070,286</u> | <u>1,780,175</u> | <u>259,950</u> |
| Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses) | <u>(473,061)</u> | <u>(858,901)</u> | <u>(65,031)</u> | <u>763,709</u> |
| Other Adjustments to Cash (Uses) | | | | |
| Transfers From Other Funds | 278,061 | 374,061 | 773,000 | 398,939 |
| Transfers To Other Funds | | | (924,250) | (924,250) |
| Borrowed Money | 185,000 | 185,000 | 191,250 | 6,250 |
| Total Other Adjustments to Cash (Uses) | <u>463,061</u> | <u>559,061</u> | <u>40,000</u> | <u>398,939</u> |
| Net Change in Cash and Cash Equivalents | (10,000) | (299,840) | (25,031) | 274,809 |
| Cash and Cash Equivalents Balances - Beginning | <u>10,000</u> | <u>10,000</u> | <u>(13,472)</u> | <u>(23,472)</u> |
| Cash and Cash Equivalents Balances - Ending | <u>\$ 0</u> | <u>\$ (289,840)</u> | <u>\$ (38,503)</u> | <u>\$ 251,337</u> |

BALLARD COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2013
(Continued)

| | JAIL FUND | | | |
|--|------------------|------------------|--|---|
| | Budgeted Amounts | | Actual Amounts, (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
| | Original | Final | | |
| RECEIPTS | | | | |
| Intergovernmental Revenue | \$ 447,850 | \$ 447,850 | \$ 472,102 | \$ 24,252 |
| Charges for Services | 32,300 | 32,300 | 36,748 | 4,448 |
| Miscellaneous | 17,000 | 17,000 | 36,201 | 19,201 |
| Interest | 100 | 100 | 3 | (97) |
| Total Revenues | <u>497,250</u> | <u>497,250</u> | <u>545,054</u> | <u>47,804</u> |
| DISBURSEMENTS | | | | |
| Protection to Persons and Property | 760,300 | 829,357 | 778,175 | 51,182 |
| Administration | 267,475 | 241,418 | 181,626 | 59,792 |
| Total Expenditures | <u>1,027,775</u> | <u>1,070,775</u> | <u>959,801</u> | <u>110,974</u> |
| Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses) | <u>(530,525)</u> | <u>(573,525)</u> | <u>(414,747)</u> | <u>158,778</u> |
| Other Adjustments to Cash (Uses) | | | | |
| Transfers From Other Funds | 530,525 | 573,525 | 395,000 | (178,525) |
| Total Other Adjustments to Cash (Uses) | <u>530,525</u> | <u>573,525</u> | <u>395,000</u> | <u>(178,525)</u> |
| Net Change in Cash and Cash Equivalents | | | (19,747) | (19,747) |
| Cash and Cash Equivalents Balances - Beginning | | | <u>9,693</u> | <u>9,693</u> |
| Cash and Cash Equivalents Balances - Ending | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ (10,054)</u> | <u>\$ (10,054)</u> |

BALLARD COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2013
(Continued)

| | DES FUND | | | |
|--|------------------|------------------|--|---|
| | Budgeted Amounts | | Actual Amounts, (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
| | Original | Final | | |
| RECEIPTS | | | | |
| Intergovernmental Revenue | \$ 82,705 | \$ 308,036 | \$ 121,962 | \$ (186,074) |
| Miscellaneous | 17,607 | 17,607 | 87,986 | 70,379 |
| Total Revenues | <u>100,312</u> | <u>325,643</u> | <u>209,948</u> | <u>(115,695)</u> |
| DISBURSEMENTS | | | | |
| Protection to Persons and Property | 88,068 | 86,168 | 32,239 | 53,929 |
| General Health and Sanitation | 13,200 | 77,431 | 17,320 | 60,111 |
| Administration | 12,043 | 11,043 | 8,201 | 2,842 |
| Total Expenditures | <u>113,311</u> | <u>174,642</u> | <u>57,760</u> | <u>116,882</u> |
| Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses) | <u>(12,999)</u> | <u>151,001</u> | <u>152,188</u> | <u>1,187</u> |
| Other Adjustments to Cash (Uses) | | | | |
| Transfers From Other Funds | 12,999 | 12,999 | 24,500 | 11,501 |
| Transfers To Other Funds | | (164,000) | (179,000) | (15,000) |
| Total Other Adjustments to Cash (Uses) | <u>12,999</u> | <u>(151,001)</u> | <u>(154,500)</u> | <u>(3,499)</u> |
| Net Change in Cash and Cash Equivalents | | | (2,312) | (2,312) |
| Cash and Cash Equivalents Balances - Beginning | | | <u>4,939</u> | <u>4,939</u> |
| Cash and Cash Equivalents Balances - Ending | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 2,627</u> | <u>\$ 2,627</u> |

BALLARD COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2013
(Continued)

| | AMBULANCE FUND | | | |
|--|-----------------------|---------------------|--|---|
| | Budgeted Amounts | | Actual Amounts, (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
| | Original | Final | | |
| RECEIPTS | | | | |
| Taxes | \$ | \$ | \$ | \$ |
| Intergovernmental Revenue | 17,838 | 17,838 | 10,714 | (7,124) |
| Charge For Services | 534,922 | 534,922 | 385,856 | (149,066) |
| Miscellaneous | 11,000 | 11,000 | 3,523 | (7,477) |
| Total Revenues | <u>563,760</u> | <u>563,760</u> | <u>400,093</u> | <u>(163,667)</u> |
| DISBURSEMENTS | | | | |
| Protection to Persons and Property | 576,234 | 604,674 | 588,044 | 16,630 |
| Administration | 108,500 | 180,060 | 154,030 | 26,030 |
| Total Expenditures | <u>684,734</u> | <u>784,734</u> | <u>742,074</u> | <u>42,660</u> |
| Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses) | <u>(120,974)</u> | <u>(220,974)</u> | <u>(341,981)</u> | <u>(121,007)</u> |
| Other Adjustments to Cash (Uses) | | | | |
| Transfers From Other Funds | 120,974 | 120,974 | 338,000 | 217,026 |
| Transfers To Other Funds | | | (6,000) | (6,000) |
| Total Other Adjustments to Cash (Uses) | <u>120,974</u> | <u>120,974</u> | <u>332,000</u> | <u>211,026</u> |
| Net Change in Cash and Cash Equivalents | | (100,000) | (9,981) | 90,019 |
| Cash and Cash Equivalents Balances - Beginning | | | 41,356 | 41,356 |
| Cash and Cash Equivalents Balances - Ending | <u>\$ 0</u> | <u>\$ (100,000)</u> | <u>\$ 31,375</u> | <u>\$ 131,375</u> |

BALLARD COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2013
(Continued)

| | OCCUPATIONAL TAX FUND | | | |
|--|------------------------------|-------------------|--|---|
| | Budgeted Amounts | | Actual Amounts, (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
| | Original | Final | | |
| RECEIPTS | | | | |
| Taxes | \$ 1,175,879 | \$ 1,175,879 | \$ 1,238,681 | \$ 62,802 |
| Miscellaneous | | | 51,595 | 51,595 |
| Interest | 17,000 | 17,000 | 3,416 | (13,584) |
| Total Revenues | <u>1,192,879</u> | <u>1,192,879</u> | <u>1,293,692</u> | <u>100,813</u> |
| DISBURSEMENTS | | | | |
| General Government | 393,044 | 397,999 | 301,977 | 96,022 |
| Debt Service | 951,007 | 951,007 | 186,228 | 764,779 |
| Capital Projects | 521,333 | 126,108 | 33,667 | 92,441 |
| Administration | 9,000 | 9,430 | 7,848 | 1,582 |
| Total Expenditures | <u>1,874,384</u> | <u>1,484,544</u> | <u>529,720</u> | <u>954,824</u> |
| Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses) | <u>(681,505)</u> | <u>(291,665)</u> | <u>763,972</u> | <u>1,055,637</u> |
| Other Adjustments to Cash (Uses) | | | | |
| Transfers From Other Funds | | | 401,000 | 401,000 |
| Transfers To Other Funds | (1,318,764) | (1,318,764) | (1,217,868) | 100,896 |
| Borrowed Money | 350,000 | 350,000 | | (350,000) |
| Total Other Adjustments to Cash (Uses) | <u>(968,764)</u> | <u>(968,764)</u> | <u>(816,868)</u> | <u>501,896</u> |
| Net Change in Cash and Cash Equivalents | (1,650,269) | (1,260,429) | (52,896) | 1,207,533 |
| Cash and Cash Equivalents Balances - Beginning | <u>1,650,269</u> | <u>1,650,269</u> | <u>580,037</u> | <u>(1,070,232)</u> |
| Cash and Cash Equivalents Balances - Ending | <u>\$ 0</u> | <u>\$ 389,840</u> | <u>\$ 527,141</u> | <u>\$ 137,301</u> |

BALLARD COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2013
(Continued)

| LIBRARY FUND | | | |
|--|-------|--|---|
| Budgeted Amounts | | Actual Amounts, (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
| Original | Final | | |
| RECEIPTS | | | |
| Total Revenues | | | |
| DISBURSEMENTS | | | |
| Total Expenditures | | | |
| Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses) | | | |
| Other Adjustments to Cash (Uses) | | | |
| Transfers From Other Funds | | | |
| Transfers To Other Funds | | | |
| Total Other Adjustments to Cash (Uses) | | | |
| Net Change in Cash and Cash Equivalents | | | |
| Cash and Cash Equivalents Balances - Beginning | | | |
| Cash and Cash Equivalents Balances - Ending | | | |

| | | | | | | | |
|----|---|----|---|----|---|----|---|
| \$ | 0 | \$ | 0 | \$ | 0 | \$ | 0 |
|----|---|----|---|----|---|----|---|

BALLARD COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2013
(Continued)

MEDICAL REIMBURSEMENT FUND

| | Budgeted Amounts | | Actual Amounts, (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|--|------------------|------------|--|---|
| | Original | Final | | |
| RECEIPTS | | | | |
| Miscellaneous | \$ 150,000 | \$ 150,000 | \$ 142,120 | \$ (7,880) |
| Total Revenues | 150,000 | 150,000 | 142,120 | (7,880) |
| DISBURSEMENTS | | | | |
| Administration | 150,000 | 150,000 | 121,592 | 28,408 |
| Total Expenditures | 150,000 | 150,000 | 121,592 | 28,408 |
| Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses) | | | 20,528 | 20,528 |
| Other Adjustments to Cash (Uses) | | | | |
| Transfers From Other Funds | 79,850 | 79,850 | 2,000 | (77,850) |
| Transfers To Other Funds | (79,850) | (79,850) | (28,000) | 51,850 |
| Total Other Adjustments to Cash (Uses) | | | (26,000) | (26,000) |
| Net Change in Cash and Cash Equivalents | | | (5,472) | (5,472) |
| Cash and Cash Equivalents Balances - Beginning | | | 17,488 | 17,488 |
| Cash and Cash Equivalents Balances - Ending | \$ 0 | \$ 0 | \$ 12,016 | \$ 12,016 |

BALLARD COUNTY
NOTES TO SUPPLEMENTARY INFORMATION

June 30, 2013

Note 1. Budgetary Information

Annual budgets are adopted on a cash basis of accounting 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 expenditures 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. Expenditures may not exceed budgeted appropriations at the activity level.

BALLARD COUNTY
SUPPLEMENTARY SCHEDULE
Other Information - Regulatory Basis

For The Year Ended June 30, 2013

BALLARD COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2013

The fiscal court reports the following schedule of capital assets:

| | Beginning Balance | Additions | Deletions | Ending Balance |
|------------------------|----------------------|-------------------|-------------------|----------------------|
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Land | \$ 221,845 | \$ | \$ | \$ 221,845 |
| Buildings | 5,891,558 | 63,170 | | 5,954,728 |
| Vehicles and Equipment | 1,923,402 | | | 1,923,402 |
| Infrastructure | 1,759,601 | 446,845 | | 2,206,446 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Capital Assets | <u>\$ 9,796,406</u> | <u>\$ 510,015</u> | <u>\$ 0</u> | <u>\$ 10,306,421</u> |

BALLARD COUNTY
NOTES TO OTHER INFORMATION

June 30, 2013

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 | \$ 25,000 | 10-60 |
| Buildings | \$ 25,000 | 10-75 |
| Building Improvements | \$ 25,000 | 10-20 |
| Machinery and Equipment | \$ 25,000 | 3-10 |
| Vehicles | \$ 25,000 | 1-10 |
| Infrastructure | \$ 25,000 | 10-30 |

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



The Honorable Vickie Viniard, Ballard County Judge/Executive
Members of the Ballard County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of 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 Cash Balances and Cash Equivalents - Regulatory Basis of the Ballard County Fiscal Court for the fiscal year ended June 30, 2013 and the related notes to the financial statement and have issued our report thereon dated September 17, 2014. The Fiscal Court's financial statement is prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a special purpose framework.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Ballard County Fiscal Court's internal control over financial reporting to determine audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Ballard County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Ballard 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 comments and recommendations, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying comments and recommendations as items 2013-01, 2013-02, 2013-03, and 2013-04 to be material weaknesses.

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 deficiency described in the accompanying comments and recommendations as item 2013-07 to be a significant deficiency.

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

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Ballard 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 as items 2013-05, 2013-06, 2013-08, 2013-09, and 2013-10.

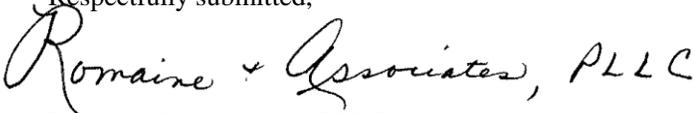
County Judges' Response to Findings

The Ballard County Judge's and Jailer's responses to the findings identified in our audit are described in the accompanying comments and recommendations. The County Judge's and Jailer's responses was 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,


Romaine & Associates, PLLC

September 17, 2014

**BALLARD COUNTY
COMMENTS AND RECOMMENDATIONS**

For The Year Ended June 30, 2013

BALLARD COUNTY
COMMENTS AND RECOMMENDATIONS

Fiscal Year Ended June 30, 2013

INTERNAL CONTROL - MATERIAL WEAKNESSES

2013-01 The Fiscal Court Should Properly Account For And Report The Public Properties Corporation Fund

The Fiscal Court should maintain proper accounting records for the Public Properties Corporation-Debt Service Fund. Since the Fiscal Court is financially accountable and legally obligated for the debt of the Public Properties Corporation, it is reported as a blended component unit of the Fiscal Court. In accordance with KRS 68.210, the Fiscal Court should maintain a receipt and disbursement ledger, reconcile ledgers to bank statements and prepare an annual financial statement for the Public Properties Corporation. We recommend the Fiscal Court properly account for and report the Public Properties Corporation Fund in the future.

County Judge/Executive Vickie Viniard's Response: "Will be addressed and corrected in the future."

2013-02 The Fiscal Court Should Prepare A Schedule Of Federal Expenditures

The county did not prepare a Schedule of Expenditures of Federal Awards (SEFA). A SEFA report is the first step in determining if the county is required to have an OMB Circular A-133 audit, also known as a federal "Single Audit". The county's failure to monitor, track, and report federal grants could lead to improper financial reporting as well as failure to comply with OMB Circular A-133 requirements. Additionally, this could impact future grant awards. We recommend the county immediately implement procedures to monitor, track, and report federal grants in order to comply with federal regulations.

County Judge/Executive Vickie Viniard's Response: "It has been corrected in 2014."

2013-03 The Fiscal Court Should Maintain A Complete And Accurate Schedule Of Capital Assets

According to the County Budget Manual issued by the Department for Local Government, the Fiscal Court is required to maintain an up-to-date list of capital assets purchased and sold. For fiscal year 2013 the fiscal court did not update the capital asset list with any additions or deletions. We recommend that a listing of additions and deletions of capital assets be updated on a regular basis.

County Judge/Executive Vickie Viniard's Response: "Will be addressed and corrected in the future."

2013-04 The Fiscal Court Should Submit A Schedule Of Leases And Liabilities To The Department For Local Government

The Department for Local Government requires the Fiscal Court to submit a schedule of leases and liabilities along with the quarterly financial report. For fiscal year 2013 the fiscal court did not submit a schedule of outstanding debt to the Department for Local Government. We recommend the Fiscal Court include a schedule of leases and liabilities with the quarterly financial report submitted to the Department for Local Government as required.

County Judge/Executive Vickie Viniard's Response: "Already corrected in 2014."

BALLARD COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2013
(Continued)

INTERNAL CONTROL – SIGNIFICANT DEFICIENCY

2013-07 The Jailer Has A Lack Of Segregation Of Duties Over Jail Canteen Operations

The Jailer's office lacks adequate segregation of duties over the jail canteen accounting functions for receipts and disbursements. The bookkeeper is primarily responsible for preparing deposits, daily checkout sheets, receipt and disbursement ledgers, writing and signing checks, performing monthly bank reconciliations, and preparing monthly sales tax returns. In addition, she does collect money and issue receipts. In reviewing the bookkeeper's records, the Jailer never reviewed any bank statements; verified bank statements were reconciled; or reviewed revenue ledgers; or reviewed expenditure ledgers. The Jailer never presented a monthly statement of financial position of revenues, expenditures, and statement of net position.

A proper segregation of duties over bookkeeping duties, such as preparation of daily deposits, daily checkout sheets, receipt and disbursement ledgers, check writing and signing, performance of check reconciliations and sales tax reports, and calculation of monthly canteen sales totals is essential for preventing misappropriation of assets and/or inaccurate financial reporting. Properly designed internal controls for monthly disbursements, inventory management, and sales tax return preparation also serve to prevent misappropriation of assets and/or inaccurate financial reporting. In addition, effective internal controls protect employees in the normal course of performing their daily responsibilities.

We recommend the Jailer separate the duties in collecting, preparing and depositing receipts, recording transactions, preparing checks, and reconciling bank accounts. If these duties cannot be segregated due to a limited number of staff or budget, strong oversight should be provided over the employee(s) responsible for these duties. Any compensating controls performed should be documented with date and initials.

Additionally, the Jailer could provide the necessary oversight needed and document this by initialing the appropriate source documents.

- 1) The Jailer, or his designee, could periodically compare the inmate canteen order to the computer generated report for accuracy.
- 2) The Jailer, or his designee, could compare the actual receipts to the Inmate Fee Collection report to ensure accuracy of fees received/recorded. Any variance should be reconciled and documented.
- 3) The Jailer, or his designee, could verify all receipts are being accounted for on the daily checkout sheet by tracing all receipts to the daily checkout sheet and maintaining a log of all receipts issued. Any variances should be reconciled.

County Jailer Mike Horn's Response: "The Jailer did not respond."

BALLARD COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2013
(Continued)

STATE LAWS AND REGULATIONS:

2013-05 The Fiscal Court Failed To Comply With State Laws And Regulations

The Fiscal Court did not follow the guidelines set forth in the instructional guide and policy manual issued by the State Local Finance Officer and applicable Kentucky Revised Statutes. The Fiscal Court's Reconciliation Section of the Quarterly Report does not agree to ending cash balances per bank, to bank reconciliations or to the treasurer's receipts and disbursements ledgers. The treasurer's Quarterly Report had outstanding cash transfers which could not be validated. During our audit we noted that the fiscal court had approved a transfer in the amount of \$15,000 from the Occupational Tax Fund to the General Fund and \$30,000 from the Road fund to the Jail Fund which never transpired. The attempt to record these deposits to cash was also in error causing the negative balance situation in the General, Road, and Jail funds.

We recommend that all approved transfers be processed and accounted for within the County's financial reports. We recommend that all approved transfers be processed and accounted for within the County's financial reports to ensure the accuracy of the 4th Quarter Report by confirming that it agrees to cash balances, to bank reconciliation and to the receipts and disbursements ledgers.

County Judge/Executive Vickie Viniard's Response: "We will assure transfers of money is recorded and deposited properly."

2013-06 The General Fund, Road Fund, and Road Fund Has A Deficit Totaling \$3,566, \$38,504, & \$10,053 Respectfully

The 2013 FYE financial statement submitted to the Department for Local Government (DLG) by Ballard County reported a General Fund balance of \$20,567; a Road Fund negative balance of \$(23,709); and a Jail Fund balance of \$52,696. However, based on audit procedures performed, the General Fund has a deficit balance of \$(3,566); the Road Fund has a deficit balance of \$(38,504); and the Jail Fund has a deficit balance of \$(10,053).

The Fiscal Court is required to account for government funds in accordance with the DLG County Budget Preparation and State Local Finance Officer Policy Manual. This guidance outlines requirements necessary in order to be in compliance with KRS 68.210, including revenues should be recorded when received and expenditures should be recorded when paid. The requirements outlined by DLG for accurate financial reporting have been disregarded. The financial statements presented to the fiscal court are inaccurate and do not reflect actual cash balances available.

We recommend the county comply with the requirements of KRS 68.210 as outlined in the DLG County Budget Preparation and State Local Finance Officer Policy Manual.

County Judge/Executive Vickie Viniard's Response: "Will be corrected in the future."

BALLARD COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2013
(Continued)

STATE LAWS AND REGULATIONS: (Continued)

2013-08 The Jailer Should Have Required Daily Receipt Batching, Daily Check Out Sheets, And Daily Deposits

Upon the beginning of the audit, the Jailer notified the fiscal court and the audit staff that no official jail inmate or commissary records were available to be audited. The Jailer had no comprehension as to the cause or effect of why records were not recorded or maintained. The Jail's inmate and commissary bookkeeper had been placed on personal leave a week prior to the audit. The audit staff investigated the bookkeeper's records and noted the following findings.

During testing of the inmate account the Auditor noted the presence of approximately \$19,000 in cash remained in a locked filing cabinet. The funds were cash collected from inmates and not deposited properly. In addition, the inmate bank deposits received from prisoners exceeded the receipt book ledger amounts collected from prisoners. Auditor noted missing receipt books and receipt books were not sequentially numbered. The auditor verified the funds were deposited the same day they were located.

During testing of Jail Canteen records, we noted that receipts were not batched daily and tallied on a daily check out sheet and deposits were not made daily. Jail commissary commissions were not paid from the inmate account to the commissary account. Jail Canteen Fund Instructions issued by the Department of Local Government require daily deposits and a daily check out sheet where receipts are batched and categorized as part of the minimum accounting requirements for the Jail Canteen as prescribed by KRS 68.210.

The Jailer should have required sequentially numbered receipts be batched daily, tallied on a daily check out sheet, and deposited daily in order to be in compliance with the minimum accounting standards as prescribed by KRS 68.210.

The Ballard County Jail also should have accurate receipts and disbursements ledgers for Jail Commissary and Inmate Accounts and should be reconciling these ledgers to the bank statements each month. We recommend the Jailer require accurate accounting records be maintained in order to be in compliance with KRS 68.210.

County Jailer Mike Horn's Response: "The Jailer did not respond."

2013-09 Jail Commissary Expenditures Were Not Properly Supported

Good internal controls and sound accounting practices require that counties maintain supporting documentation for expenditures such as original receipts and original invoices. KRS 441.135(2) states the jailer shall keep books of accounts of all receipts and disbursements from the jail canteen. During testing of Jail Commissary expenditures, we noted that only 3 expenditures that did have the proper supporting documentation. The Ballard County Jail was unable to provide the supporting documentation any of the remaining expenditures; therefore auditors could not determine allow-ability of the expenditure. We recommend the Jailer require all expenditures be properly supported and invoices be maintained to validate the allow-ability of the expenditure.

County Jailer Mike Horn's Response: "The Jailer did not respond."

BALLARD COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2013
(Continued)

STATE LAWS AND REGULATIONS: (Continued)

2013-10 The Jailer Should Comply With KRS 441.135 By Properly Accounting For And Reporting Jail Canteen Fund And Inmate Account

KRS 441.135(2) states the jailer shall keep books of accounts of all receipts and disbursements from the jail canteen and shall annually report to the county treasurer on the inmate account and the canteen account. Profit on canteen sales has not been transferred from the Jail Inmate Fund to the Jail Canteen Fund. Failure to transfer profit from canteen sales to the Jail Canteen Fund results in the cash balance available for the benefit of the prisoners being understated.

These deficiencies in Jail Canteen Fund were allowed to occur because the Jailer's controls and oversight over reporting did not operate properly. Good internal controls dictate adequate reporting be maintained for all receipts and disbursements. Kentucky Revised Statute (KRS) 441.135 requires the Jailer to maintain records of receipts and disbursements of the Jail Canteen Fund and to prepare a report annually for the County Treasurer. We recommend the Jailer comply with the applicable statutes by preparing and submitting an accurate annual canteen report to the County Treasurer at year-end that includes all receipts and disbursements and transfer all profit on canteen sales to the Jail Canteen Fund.

County Jailer Mike Horn's Response: "The Jailer did not respond."