

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

**For The Fiscal Year Ended
June 30, 2015**



**MIKE HARMON
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EXECUTIVE SUMMARY
AUDIT OF THE
ALLEN COUNTY FISCAL COURT

June 30, 2015

The Auditor of Public Accounts has completed the audit of the Allen County Fiscal Court for fiscal year ended June 30, 2015.

We have issued an unmodified opinion, based on our audit, on the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of Allen County Fiscal Court.

Financial Condition:

The Allen County Fiscal Court had total receipts of \$8,930,854 and disbursements of \$10,216,503 in fiscal year 2015. This resulted in a total ending fund balance of \$1,328,346, which is an increase of \$375,925 from the prior year.

Report Comments:

- 2015-001 The Fiscal Court Lacks Adequate Segregation Of Duties Over Cash, Receipts, Reconciliations, And Payroll Reporting
- 2015-002 The Fiscal Court Did Not Deposit Receipts Timely

Deposits:

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

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Matthew G. Bevin, Governor
William M. Landrum III, Secretary
Finance and Administration Cabinet
Honorable Johnny Hobdy, Allen County Judge/Executive
Members of the Allen 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 Allen County Fiscal Court, for the year ended June 30, 2015, and the related notes to the financial statement which collectively comprise the Allen County Fiscal Court's financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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



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

As described more fully in Note 1 of the financial statement, the financial statement is prepared by Allen 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 Allen County Fiscal Court as of June 30, 2015, 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 Allen County Fiscal Court as of June 30, 2015, 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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of Allen County Fiscal Court. The budgetary comparison schedules and capital asset schedule are presented for purposes of additional analysis and are not a required part of the financial statement, however they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

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

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2016 on our consideration of Allen 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 Allen County Fiscal Court's internal control over financial reporting and compliance.

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

- 2015-001 The Fiscal Court Lacks Adequate Segregation Of Duties Over Cash, Receipts, Reconciliations, And Payroll Reporting
- 2015-002 The Fiscal Court Did Not Deposit Receipts Timely

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

June 16, 2016

ALLEN COUNTY OFFICIALS

For The Year Ended June 30, 2015

Fiscal Court Members:

| | |
|------------------|------------------------|
| Johnny Hobby | County Judge/Executive |
| Dennis Harper | Magistrate |
| Ron Cook | Magistrate |
| Tony Wolfe | Magistrate |
| Rickey Cooksey | Magistrate |
| Roman Perry, Jr. | Magistrate |

Other Elected Officials:

| | |
|---------------------------|----------------------------------|
| William P. Hagenbuch, Jr. | County Attorney |
| Larry Piper | Jailer |
| Elaine Williams | County Clerk |
| Todd Calvert | Circuit Court Clerk |
| Jeff Cooke | Sheriff |
| Tracy Oliver | Property Valuation Administrator |
| Darren Davis | Coroner |

Appointed Personnel:

| | |
|---------------|--------------------------------|
| Melba Patrick | County Treasurer |
| Jessica Cline | Finance Officer |
| Sandra Meador | Occupational Tax Administrator |

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

For The Year Ended June 30, 2015

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

For The Year Ended June 30, 2015

| | Budgeted Funds | | |
|--|-------------------------|----------------------|----------------------|
| | General Fund | Road Fund | Jail Fund |
| RECEIPTS | | | |
| Taxes | \$ 2,810,040 | \$ | \$ |
| In Lieu Tax Payments | 92,986 | | |
| Excess Fees | 125,747 | | |
| Licenses and Permits | 14,713 | | |
| Intergovernmental | 1,502,570 | 1,642,758 | 627,194 |
| Charges for Services | 21,900 | | 59,616 |
| Miscellaneous | 299,410 | 2,632 | 29,472 |
| Interest | 507 | 1,714 | 42 |
| Total Receipts | <u>4,867,873</u> | <u>1,647,104</u> | <u>716,324</u> |
| DISBURSEMENTS | | | |
| General Government | 1,821,734 | | |
| Protection to Persons and Property | 779,296 | | 804,147 |
| General Health and Sanitation | 119,761 | | |
| Social Services | 257,123 | | |
| Recreation and Culture | 118,125 | | |
| Roads | | 1,229,401 | |
| Debt Service | 71,116 | | |
| Capital Projects | | | |
| Administration | 1,095,626 | 117,219 | 251,753 |
| Total Disbursements | <u>4,262,781</u> | <u>1,346,620</u> | <u>1,055,900</u> |
| Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses) | <u>605,092</u> | <u>300,484</u> | <u>(339,576)</u> |
| Other Adjustments to Cash (Uses) | | | |
| Proceeds From General Obligation Refunding Lease | 1,561,709 | | |
| Premium on General Obligation Refunding Lease | 17,428 | | |
| Governmental Leasing Accounts Receipts | 82,437 | | |
| Transfers From Other Funds | 354,285 | 82,012 | 350,000 |
| Transfers To Other Funds | (2,412,778) | (279,285) | |
| Total Other Adjustments to Cash (Uses) | <u>(396,919)</u> | <u>(197,273)</u> | <u>350,000</u> |
| Net Change in Fund Balance | 208,173 | 103,211 | 10,424 |
| Fund Balance - Beginning (Restated) | 29,050 | 654,945 | 37,270 |
| Fund Balance - Ending | <u>\$ 237,223</u> | <u>\$ 758,156</u> | <u>\$ 47,694</u> |
| Composition of Fund Balance | | | |
| Bank Balance | \$ 280,847 | \$ 752,225 | \$ 49,779 |
| Less: Outstanding Checks | (43,624) | 5,931 | (2,085) |
| Fund Balance - Ending | <u>\$ 237,223</u> | <u>\$ 758,156</u> | <u>\$ 47,694</u> |

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

ALLEN COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2015
(Continued)

| Budgeted Funds | | | Unbudgeted Funds | | | Total Funds |
|---|--|----------------------|---|---|----------------------|--------------|
| Local Government Economic Assistance Fund | Transfer Station and Recycling Center Fund | Special Reserve Fund | Scottsville-Allen County Public Properties Corporation Fund | Allen County Public Properties Corporation Fund | Jail Commissary Fund | |
| \$ | \$ | \$ | \$ | \$ | \$ | \$ 2,810,040 |
| | | | | | | 92,986 |
| | | | | | | 125,747 |
| | 1,500 | | | | | 16,213 |
| 44,901 | 29,391 | | | 1,074,135 | | 4,920,949 |
| | 427,896 | | | | | 509,412 |
| | 40,601 | | | | 80,949 | 453,064 |
| 13 | 26 | 93 | 12 | 3 | 33 | 2,443 |
| 44,914 | 499,414 | 93 | 12 | 1,074,138 | 80,982 | 8,930,854 |
| | | | | | | |
| 45,000 | | | | | | 1,866,734 |
| | | | | | | 1,583,443 |
| | 604,020 | | | | | 723,781 |
| | | | | | | 257,123 |
| | | | | | 56,269 | 174,394 |
| | | | | | | 1,229,401 |
| | 8,054 | | 1,595,766 | 992,135 | | 2,667,071 |
| | | | | 187,004 | | 187,004 |
| | 61,435 | | 19 | 1,500 | | 1,527,552 |
| 45,000 | 673,509 | | 1,595,785 | 1,180,639 | 56,269 | 10,216,503 |
| | | | | | | |
| (86) | (174,095) | 93 | (1,595,773) | (106,501) | 24,713 | (1,285,649) |
| | | | | | | |
| | | | | | | 1,561,709 |
| | | | | | | 17,428 |
| | | | | | | 82,437 |
| | 185,000 | 200,000 | 1,595,766 | | | 2,767,063 |
| | | (75,000) | | | | (2,767,063) |
| | 185,000 | 125,000 | 1,595,766 | | | 1,661,574 |
| | | | | | | |
| (86) | 10,905 | 125,093 | (7) | (106,501) | 24,713 | 375,925 |
| 11,523 | 30,896 | 52,562 | 7 | 115,392 | 20,776 | 952,421 |
| \$ 11,437 | \$ 41,801 | \$ 177,655 | \$ 0 | \$ 8,891 | \$ 45,489 | \$ 1,328,346 |
| | | | | | | |
| \$ 11,437 | \$ 41,867 | \$ 177,655 | \$ | \$ 8,891 | \$ 47,060 | \$ 1,369,761 |
| | (66) | | | | (1,571) | (41,415) |
| \$ 11,437 | \$ 41,801 | \$ 177,655 | \$ 0 | \$ 8,891 | \$ 45,489 | \$ 1,328,346 |

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

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENT**

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ALLEN COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2015

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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.

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(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 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.

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 government.

Transfer Station and Recycling Center Fund - The primary purpose of this fund is to account for the expenses of the Allen County Transfer Station and Recycling Center. The primary sources of receipts for this fund are fees charged for garbage collections and transfers from the General Fund.

Special Reserve Fund - The primary purpose of this fund is to accumulate funds for certain projects. The primary source of receipts for this fund is transfers from the General Fund.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

Scottsville-Allen County Public Properties Corporation Fund - The primary purpose of this fund is to account for the proceeds and debt service of the First Mortgage Revenue Refunding Bonds, Series 2004, which were issued to advance refund the bonds issued to fund construction of the law enforcement center. The primary source of receipts for this fund is transfers from the General Fund.

Allen County Public Properties Corporation Fund - The primary purpose of this fund is to account for capital project and debt service requirements of the First Mortgage Revenue Bonds, Series 2010. These bonds were issued to build the Allen County Judicial Center. The primary source of receipts for this fund is rental proceeds from the Kentucky Administrative Office of Courts.

Jail Commissary 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 and to enhance the well-being of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Commissary Fund.

D. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government 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.

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information (Continued)

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Disbursements may not exceed budgeted appropriations at the activity level.

The State Local Finance Officer does not require the Jail Commissary Fund to be budgeted because the fiscal court does not approve the expenses of this fund.

The State Local Finance Officer does not require the Scottsville-Allen County Public Properties Corporation Fund or the Allen County Public Properties Corporation Fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually.

E. Allen County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Allen 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 Allen 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 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).

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

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.

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 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 66.480(1)(d) and KRS 41.240. As of June 30, 2015, 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 2015.

| | General Fund | Road Fund | Special Reserve Fund | Total Transfers In |
|--|--------------------|-------------------|----------------------------|-----------------------|
| General Fund | \$ | \$ 279,285 | \$ 75,000 | \$ 354,285 |
| Road Fund | 82,012 | | | 82,012 |
| Jail Fund | 350,000 | | | 350,000 |
| Transfer Station & Recycling Center Fund | 185,000 | | | 185,000 |
| Special Reserve Fund | 200,000 | | | 200,000 |
| Scottsville-Allen County PPC Fund | 1,595,766 | | | 1,595,766 |
| Total Transfers Out | <u>\$2,412,778</u> | <u>\$ 279,285</u> | <u>\$ 75,000</u> | <u>\$2,767,063</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.

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 4. 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:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the Jail Inmate Fund as of June 30, 2015 was \$1,869.

Note 5. Long-term Debt

A. First Mortgage Revenue Refunding Bonds, Series 2004

On December 2, 2004, the Scottsville-Allen County Public Properties Corporation issued \$3,075,000 of first mortgage revenue refunding bonds to advance refund the first mortgage refund bonds, series 1996, issued by the Scottsville-Allen County Public Properties Corporation for the construction of the law enforcement center. The 2004 series bonds were issued at various rates from 2.50% through 4.25%. The final maturity date of the 2004 series bonds is June 1, 2021. On January 8, 1996, the Common Council of the City of Scottsville voted to lease approximately 18 percent of the building for the amount of approximately 18 percent of the debt service requirements. These bonds were paid in full on January 23, 2015.

B. First Mortgage Revenue Bonds, Series 2010

On June 27, 2010, the Allen County Public Properties Corporation issued \$14,480,000 of first mortgage revenue bonds, series 2010, for the construction of a new judicial center. The 2010 series bonds were issued at various interest rates from 1.0 to 4.0%. The final maturity date of the 2010 series bonds is August 1, 2029. The Allen County Public Properties Corporation has entered into an agreement to lease the Allen County Judicial Center to the Administrative Office of the Courts, Commonwealth of Kentucky, for the amount of the bond payments. Total bonds outstanding as of June 30, 2015 totaled \$11,405,000. Future principal and interest requirements are:

| Fiscal Year Ended June 30 | Scheduled Principal | Scheduled Interest |
|------------------------------|------------------------|-----------------------|
| 2016 | \$ 600,000 | \$ 388,735 |
| 2017 | 615,000 | 373,548 |
| 2018 | 635,000 | 356,335 |
| 2019 | 655,000 | 336,166 |
| 2020 | 675,000 | 314,554 |
| 2021-2025 | 3,735,000 | 1,215,100 |
| 2026-2030 | 4,490,000 | 458,313 |
| Totals | <u>\$ 11,405,000</u> | <u>\$ 3,442,751</u> |

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 5. Long Term Debt (Continued)

C. General Obligation Refunding Lease, Series 2014

On December 8, 2014, the Allen County Fiscal Court entered into a General Obligation Refunding Lease Agreement, Series 2014, with Huntington Bank for \$1,564,137 to advance refund the First Mortgage Revenue Refunding Bonds, Series 2004, issued by the Allen County Public Properties Corporation. During fiscal year 2015, lease proceeds of \$1,561,709 were transferred to the Allen County Public Properties Corporation and \$15,000 was used to pay the cost of issuance. Principal is payable annually on June 1 and interest is payable semiannually on December 1 and June 1. The interest rate is 2.35%. The maturity date the lease is December 1, 2020. As of June 30, 2015, the principal balance was \$1,561,709. Future principal and interest requirements are:

| Fiscal Year Ended June 30 | Scheduled Principal | Scheduled Interest |
|------------------------------|------------------------|-----------------------|
| 2016 | \$ 240,204 | \$ 33,878 |
| 2017 | 247,940 | 28,142 |
| 2018 | 255,455 | 22,227 |
| 2019 | 262,633 | 16,140 |
| 2020 | 269,455 | 9,888 |
| 2021 | 286,022 | 3,361 |
| Totals | <u>\$ 1,561,709</u> | <u>\$ 113,636</u> |

D. Police Vehicles – Financing Obligation

On September 25, 2012, Allen County Fiscal Court entered into an agreement with Kentucky Association of Counties Leasing Trust (KACoLT). The agreement was for the purchase of vehicles for the Sheriff's department. The principal was \$75,000 at an interest rate of 2.85% for a period of four years, principal and interest payable monthly. During fiscal year 2013, lease proceeds of \$64,789 were paid directly to vendors on behalf of the Allen County Fiscal Court to purchase three vehicles for the Sheriff's department. The remaining lease proceeds of \$10,211 were paid to the Allen County Fiscal Court. Principal outstanding as of June 30, 2015 totaled \$24,373. Future principal and interest requirements are:

| Fiscal Year Ended June 30 | Scheduled Principal | Scheduled Interest |
|------------------------------|------------------------|-----------------------|
| 2016 | \$ 19,429 | \$ 566 |
| 2017 | 4,944 | 30 |
| Totals | <u>\$ 24,373</u> | <u>\$ 596</u> |

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 5. Long Term Debt (Continued)

E. Recycling Truck – Financing Obligation

On June 25, 2013, Allen County Fiscal Court entered into an agreement with Kentucky Association of Counties Leasing Trust (KACoLT). The agreement was for the purchase of a recycling truck for the Allen County Transfer Station and Recycling Center. The principal was \$30,000 at an interest rate of 2.544% for a period of four years, principal and interest payable monthly. Principal outstanding as of June 30, 2015 totaled \$15,387. Future principal and interest requirements are:

| <u>Fiscal Year Ended June 30</u> | <u>Scheduled Principal</u> | <u>Scheduled Interest</u> |
|--------------------------------------|--------------------------------|-------------------------------|
| 2016 | \$ 7,596 | \$ 399 |
| 2017 | <u>7,791</u> | <u>142</u> |
| Totals | <u>\$ 15,387</u> | <u>\$ 541</u> |

F. Deputy Vehicles – Financing Obligation

On October 28, 2014, Allen County Fiscal Court entered into an agreement with Kentucky Association of Counties Leasing Trust (KACoLT). The agreement was for the purchase of three deputy vehicles for the Allen County Sheriff's Department. The principal was \$82,438 at an interest rate of 3.75% for a period of three years, principal and interest payable monthly. Principal outstanding as of June 30, 2015 totaled \$67,278. Future principal and interest requirements are:

| <u>Fiscal Year Ended June 30</u> | <u>Scheduled Principal</u> | <u>Scheduled Interest</u> |
|--------------------------------------|--------------------------------|-------------------------------|
| 2016 | \$ 27,103 | \$ 2,060 |
| 2017 | 28,137 | 1,026 |
| 2018 | <u>12,039</u> | <u>113</u> |
| Totals | <u>\$ 67,279</u> | <u>\$ 3,199</u> |

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 5. Long Term Debt (Continued)

G. KADD 2010 Series B - CASK

On February 2, 2010, the Allen County Fiscal Court entered into a lease by participating in a KADD issue (Kentucky Area Development Districts Financing Trust Lease Certificates of Participation) in the amount of \$360,000. Interest payments are due January 20th and July 20th beginning July 20, 2010. Principal payments are due every January 20th beginning January 20, 2011. The final installment is due on January 20, 2020. The effective interest rate is 4.00%. The proceeds were disbursed to Community Action of Southern Kentucky (CASK), to acquire, construct and equip a building to serve low-income families. The County entered into a sublease with CASK simultaneously with the KADD lease. The sublease term and rental payments are the same as those of the County's lease with the KADD. During fiscal year 2015, CASK paid debt service of \$45,338 on behalf of the Allen County Fiscal Court. Principal outstanding as of June 30, 2015 totaled \$200,000. Future principal and interest requirements are:

| Fiscal Year Ended June 30 | Scheduled Principal | Scheduled Interest |
|------------------------------|------------------------|-----------------------|
| 2016 | \$ 35,000 | \$ 9,538 |
| 2017 | 40,000 | 8,138 |
| 2018 | 40,000 | 6,538 |
| 2019 | 40,000 | 4,638 |
| 2020 | 45,000 | 2,738 |
| Totals | <u>\$ 200,000</u> | <u>\$ 31,590</u> |

H. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2015, was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|------------------------------------|----------------------|---------------------|---------------------|----------------------|------------------------|
| Revenue Bonds | \$ 13,550,000 | \$ | \$ 2,145,000 | \$ 11,405,000 | \$ 600,000 |
| General Obligation Refunding Lease | | 1,561,709 | | 1,561,709 | 240,204 |
| Financing Obligations | 301,049 | 82,438 | 76,448 | 307,039 | 89,128 |
| Total Long-term Debt | <u>\$ 13,851,049</u> | <u>\$ 1,644,147</u> | <u>\$ 2,221,448</u> | <u>\$ 13,273,748</u> | <u>\$ 929,332</u> |

*

*Restated Beginning Balance by \$235,000 to include KADD 2010 Series B lease not included in prior years.

Note 6. Employee Retirement System

A. Plan Description

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 that covers all eligible regular full-time members employed in non-hazardous and hazardous duty positions in the county. The Plan provides for retirement, disability and death benefits to plan members. Retirement benefits may be extended to beneficiaries of the plan members under certain circumstances. Benefit contributions and provisions are established by statute.

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 6. Employee Retirement System (Continued)

A. Plan Description (Continued)

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 the plan. The county's contribution rate for nonhazardous employees was 17.67 percent.

Hazardous covered employees are required to contribute eight percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute nine percent percent of their salary to be allocated as follows: eight percent will go to the member's account and one percent will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 34.31 percent.

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

The county's contribution for FY 2013 was \$549,614, FY 2014 was \$505,062, and FY 2015 was \$644,085.

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.

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% |

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 6. Employee Retirement System (Continued)

A. Plan Description (Continued)

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

Hazardous employees whose participation began on or after July 1, 2003, earn 15 dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, 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.

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.

B. Net Pension Liability

As promulgated by GASB Statement No. 68 the total pension liability for CERS was determined by an actuarial valuation as of June 30, 2014. The total net pension liability for all employers participating in CERS was determined by an actuarial valuation as of June 30, 2014, measured as of the same date and is as follows: non-hazardous \$3,244,377,000 and hazardous \$1,201,825,000, for a total net pension liability of \$4,446,202,000 as of June 30, 2014. Based on these requirements, Allen County's proportionate share of the net pension liability as of June 30, 2015 is:

| | June 30, 2014 | June 30, 2015 |
|---------------|---------------------|---------------------|
| Non-Hazardous | \$ 3,273,000 | \$ 2,892,000 |
| Hazardous | 1,179,000 | 1,056,000 |
| Totals | <u>\$ 4,452,000</u> | <u>\$ 3,948,000</u> |

The complete actuarial valuation report including all actuarial assumptions and methods is publically available on the website at www.kyret.ky.gov or can be obtained as described in the paragraph above.

Note 7. Health Reimbursement Account

On April 24, 2012, the Allen County Fiscal Court established a health reimbursement account to provide employees an additional health benefit. The county has contracted with Benecom Company, a third-party administrator, to administer the plan. The plan provides a debit card to each eligible employee providing \$500 for June 1, 2013 through May 31, 2014 to pay for qualified medical expenses. This plan was not renewed after May 31, 2014; however, the current cards with balances were extended until December 31, 2014. On March 12, 2015, Benecom Company sent a check of \$7,815 for the remaining balance.

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 8. Insurance

For the fiscal year ended June 30, 2015, Allen 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. Related Party Transactions

During fiscal year ended June 30, 2015, the following related party transactions were noted:

- A magistrate works for a trucking service company owned by a family member and during fiscal year 2015 this company received \$3,848 from doing business with the county.
- A magistrate works for a roofing company and during fiscal year 2015 this company received \$997 from doing business with the county.

Note 10. Conduit Debt

From time to time the county has issued bonds to provide financial assistance to Camp Courageous 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 Allen 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, 2015, there was one series of revenue bonds outstanding, with an aggregate principal amount payable of \$12,000,000.

Note 11. Prior Period Adjustments

The beginning balance on the *Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis* of the General Fund was increased by \$786 and the Jail Fund beginning balance was increased by \$86 both due to prior year voided checks.

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ALLEN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2015

ALLEN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2015

| | GENERAL FUND | | | |
|--|---------------------|------------------|--|---|
| | Budgeted Amounts | | Actual Amounts, (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
| | Original | Final | | |
| RECEIPTS | | | | |
| Taxes | \$ 2,683,000 | \$ 2,690,173 | \$ 2,810,040 | \$ 119,867 |
| In Lieu Tax Payments | 94,800 | 94,800 | 92,986 | (1,814) |
| Excess Fees | 63,627 | 63,627 | 125,747 | 62,120 |
| Licenses and Permits | 13,000 | 13,000 | 14,713 | 1,713 |
| Intergovernmental | 1,732,635 | 1,732,635 | 1,502,570 | (230,065) |
| Charges for Services | 32,100 | 32,410 | 21,900 | (10,510) |
| Miscellaneous | 205,500 | 210,500 | 299,410 | 88,910 |
| Interest | 1,500 | 1,500 | 507 | (993) |
| Total Receipts | <u>4,826,162</u> | <u>4,838,645</u> | <u>4,867,873</u> | <u>29,228</u> |
| DISBURSEMENTS | | | | |
| General Government | 1,852,086 | 1,970,635 | 1,821,734 | 148,901 |
| Protection to Persons and Property | 614,841 | 803,411 | 779,296 | 24,115 |
| General Health and Sanitation | 130,450 | 133,027 | 119,761 | 13,266 |
| Social Services | 548,500 | 281,000 | 257,123 | 23,877 |
| Recreation and Culture | 39,250 | 126,097 | 118,125 | 7,972 |
| Debt Service | 204,607 | 101,740 | 71,116 | 30,624 |
| Administration | 1,363,981 | 1,392,725 | 1,095,626 | 297,099 |
| Total Disbursements | <u>4,753,715</u> | <u>4,808,635</u> | <u>4,262,781</u> | <u>545,854</u> |
| Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses) | <u>72,447</u> | <u>30,010</u> | <u>605,092</u> | <u>575,082</u> |
| Other Adjustments to Cash (Uses) | | | | |
| Transfers From Other Funds | 304,285 | 304,285 | 354,285 | 50,000 |
| Transfers To Other Funds | (676,732) | (676,732) | (2,412,778) | (1,736,046) |
| Proceeds From General Obligation Refunding Lease | | | 1,561,709 | 1,561,709 |
| Premium on General Obligation Refunding Lease | | | 17,428 | 17,428 |
| Governmental Leasing Accounts Receipts | | 82,437 | 82,437 | |
| Total Other Adjustments to Cash (Uses) | <u>(372,447)</u> | <u>(290,010)</u> | <u>(396,919)</u> | <u>(106,909)</u> |
| Net Change in Fund Balance | (300,000) | (260,000) | 208,173 | 468,173 |
| Fund Balance Beginning (Restated) | <u>300,000</u> | <u>300,000</u> | <u>29,050</u> | <u>(270,950)</u> |
| Fund Balance - Ending | <u>\$ 0</u> | <u>\$ 40,000</u> | <u>\$ 237,223</u> | <u>\$ 197,223</u> |

ALLEN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

| | ROAD FUND | | | |
|--|------------------|------------------|--|---|
| | Budgeted Amounts | | Actual Amounts, (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
| | Original | Final | | |
| RECEIPTS | | | | |
| Intergovernmental | \$ 1,620,219 | \$ 1,620,219 | \$ 1,642,758 | \$ 22,539 |
| Miscellaneous | 1,000 | 2,333 | 2,632 | 299 |
| Interest | 2,000 | 2,000 | 1,714 | (286) |
| Total Receipts | <u>1,623,219</u> | <u>1,624,552</u> | <u>1,647,104</u> | <u>22,552</u> |
| DISBURSEMENTS | | | | |
| Roads | 1,669,500 | 1,677,991 | 1,229,401 | 448,590 |
| Administration | 149,434 | 397,221 | 117,219 | 280,002 |
| Total Disbursements | <u>1,818,934</u> | <u>2,075,212</u> | <u>1,346,620</u> | <u>728,592</u> |
| Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses) | <u>(195,715)</u> | <u>(450,660)</u> | <u>300,484</u> | <u>751,144</u> |
| Other Adjustments to Cash (Uses) | | | | |
| Transfers From Other Funds | | | 82,012 | 82,012 |
| Transfers To Other Funds | (204,285) | (204,285) | (279,285) | (75,000) |
| Total Other Adjustments to Cash (Uses) | <u>(204,285)</u> | <u>(204,285)</u> | <u>(197,273)</u> | <u>7,012</u> |
| Net Change in Fund Balance | (400,000) | (654,945) | 103,211 | 758,156 |
| Fund Balance Beginning | 400,000 | 654,945 | 654,945 | |
| Fund Balance - Ending | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 758,156</u> | <u>\$ 758,156</u> |

ALLEN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

| JAIL FUND | | | | |
|---|------------------|------------------|--|---|
| | Budgeted Amounts | | Actual Amounts, (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
| | Original | Final | | |
| RECEIPTS | | | | |
| Intergovernmental | \$ 584,054 | \$ 587,704 | \$ 627,194 | \$ 39,490 |
| Charges for Services | 36,500 | 38,563 | 59,616 | 21,053 |
| Miscellaneous | 41,500 | 41,500 | 29,472 | (12,028) |
| Interest Earned | 100 | 100 | 42 | (58) |
| Total Receipts | <u>662,154</u> | <u>667,867</u> | <u>716,324</u> | <u>48,457</u> |
| DISBURSEMENTS | | | | |
| Protection to Persons and Property | 777,731 | 842,635 | 804,147 | 38,488 |
| Administration | 327,155 | 275,147 | 251,753 | 23,394 |
| Total Disbursements | <u>1,104,886</u> | <u>1,117,782</u> | <u>1,055,900</u> | <u>61,882</u> |
| Excess (Deficiency) of Receipts Over | | | | |
| Disbursements Before Other | | | | |
| Adjustments to Cash (Uses) | <u>(442,732)</u> | <u>(449,915)</u> | <u>(339,576)</u> | <u>110,339</u> |
| Other Adjustments to Cash (Uses) | | | | |
| Transfers From Other Funds | <u>412,732</u> | <u>412,732</u> | <u>350,000</u> | <u>(62,732)</u> |
| Total Other Adjustments to Cash (Uses) | <u>412,732</u> | <u>412,732</u> | <u>350,000</u> | <u>(62,732)</u> |
| Net Change in Fund Balance | (30,000) | (37,183) | 10,424 | 47,607 |
| Fund Balance Beginning (Restated) | <u>30,000</u> | <u>37,183</u> | <u>37,270</u> | <u>87</u> |
| Fund Balance - Ending | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 47,694</u> | <u>\$ 47,694</u> |

ALLEN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

| | Budgeted Amounts | | Actual Amounts, (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|--|------------------|-----------|--|---|
| | Original | Final | | |
| RECEIPTS | | | | |
| Intergovernmental | \$ 40,000 | \$ 40,000 | \$ 44,901 | \$ 4,901 |
| Interest | 100 | 100 | 13 | (87) |
| Total Receipts | 40,100 | 40,100 | 44,914 | 4,814 |
| DISBURSEMENTS | | | | |
| General Government | 40,000 | 45,000 | 45,000 | |
| Administration | 1,100 | 6,623 | | 6,623 |
| Total Disbursements | 41,100 | 51,623 | 45,000 | 6,623 |
| Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses) | (1,000) | (11,523) | (86) | 11,437 |
| Net Change in Fund Balance | (1,000) | (11,523) | (86) | 11,437 |
| Fund Balance Beginning | 1,000 | 11,523 | 11,523 | |
| Fund Balance - Ending | \$ 0 | \$ 0 | \$ 11,437 | \$ 11,437 |

ALLEN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

TRANSFER STATION AND RECYCLING CENTER FUND

| | Budgeted Amounts | | Actual Amounts, (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|--|------------------|--------------------|--|---|
| | Original | Final | | |
| RECEIPTS | | | | |
| Licenses and Permits | \$ 2,000 | \$ 2,000 | \$ 1,500 | \$ (500) |
| Intergovernmental | | 13,000 | 29,391 | 16,391 |
| Charges For Services | 420,000 | 420,000 | 427,896 | 7,896 |
| Miscellaneous | 36,000 | 36,000 | 40,601 | 4,601 |
| Interest | 100 | 100 | 26 | (74) |
| Total Receipts | <u>458,100</u> | <u>471,100</u> | <u>499,414</u> | <u>28,314</u> |
| DISBURSEMENTS | | | | |
| General Health and Sanitation | 570,600 | 625,763 | 604,020 | 21,743 |
| Debt Service | 8,056 | 8,056 | 8,054 | 2 |
| Administration | 73,444 | 72,177 | 61,435 | 10,742 |
| Total Disbursements | <u>652,100</u> | <u>705,996</u> | <u>673,509</u> | <u>32,487</u> |
| Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses) | <u>(194,000)</u> | <u>(234,896)</u> | <u>(174,095)</u> | <u>60,801</u> |
| Other Adjustments to Cash (Uses) | | | | |
| Transfers From Other Funds | <u>164,000</u> | <u>164,000</u> | <u>185,000</u> | <u>21,000</u> |
| Total Other Adjustments to Cash (Uses) | <u>164,000</u> | <u>164,000</u> | <u>185,000</u> | <u>21,000</u> |
| Net Change in Fund Balance | (30,000) | (70,896) | 10,905 | 81,801 |
| Fund Balance Beginning | <u>30,000</u> | <u>30,896</u> | <u>30,896</u> | |
| Fund Balance - Ending | <u>\$ 0</u> | <u>\$ (40,000)</u> | <u>\$ 41,801</u> | <u>\$ 81,801</u> |

ALLEN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

| SPECIAL RESERVE FUND | | | | |
|--|------------------|-----------|--|---|
| | Budgeted Amounts | | Actual Amounts, (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
| | Original | Final | | |
| RECEIPTS | | | | |
| Interest | \$ 100 | \$ 100 | \$ 93 | \$ (7) |
| Total Receipts | 100 | 100 | 93 | (7) |
| DISBURSEMENTS | | | | |
| Administration | 10,100 | 10,100 | | 10,100 |
| Total Disbursements | 10,100 | 10,100 | | 10,100 |
| Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses) | (10,000) | (10,000) | 93 | 10,093 |
| Other Adjustments to Cash (Uses) | | | | |
| Transfers From Other Funds | 100,000 | 100,000 | 200,000 | 100,000 |
| Transfers To Other Funds | (100,000) | (100,000) | (75,000) | 25,000 |
| Total Other Adjustments to Cash (Uses) | | | 125,000 | 125,000 |
| Net Change in Fund Balance | (10,000) | (10,000) | 125,093 | 135,093 |
| Fund Balance Beginning | 10,000 | 10,000 | 52,562 | 42,562 |
| Fund Balance - Ending | \$ 0 | \$ 0 | \$ 177,655 | \$ 177,655 |

ALLEN COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2015

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 Government 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.

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ALLEN COUNTY
SUPPLEMENTARY SCHEDULE
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015

ALLEN COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2015

The fiscal court reports the following schedule of capital assets:

| | Beginning Balance | Additions | Deletions | Ending Balance |
|-------------------------------------|--------------------------|-----------------------|-----------------------|-------------------------|
| Land and Land Improvements | \$ 1,367,944 | \$ | \$ | \$ 1,367,944 |
| Buildings and Building Improvements | 16,640,817 | 126,281 | | 16,767,098 |
| Equipment | 464,622 | 30,608 | | 495,230 |
| Vehicles | 1,471,734 | 81,687 | 103,925 | 1,449,496 |
| Infrastructure | 20,540,549 | 733,133 | | 21,273,682 |
| Total Capital Assets | <u>\$ 40,485,666</u> | <u>\$ 971,709</u> | <u>\$ 103,925</u> | <u>\$41,353,450</u> |

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

June 30, 2015

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 | \$ 25,000 | 10-75 |
| Buildings Improvements | \$ 25,000 | 10-25 |
| Equipment | \$ 7,500 | 3-25 |
| Vehicles | \$ 7,500 | 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***



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Johnny Hobdy, Allen County Judge/Executive
Members of the Allen 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 Allen County Fiscal Court for the fiscal year ended June 30, 2015, and the related notes to the financial statement which collectively comprise the Allen County Fiscal Court's financial statement and have issued our report thereon dated June 16, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Allen 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 Allen County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Allen 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 2015-001 and 2015-002 to be material weaknesses.



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

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Allen 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 matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying comments and recommendations as item 2015-002.

County Judge/Executive's Response to Finding

The Allen County Judge/Executive's response to the finding identified in our audit is described in the accompanying comments and recommendations. The Allen County Judge/Executive's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

Purpose of this Report

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

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

June 16, 2016

**ALLEN COUNTY
COMMENTS AND RECOMMENDATIONS**

For The Year Ended June 30, 2015

ALLEN COUNTY
COMMENTS AND RECOMMENDATIONS

Fiscal Year Ended June 30, 2015

FINANCIAL STATEMENT FINDINGS:

2015-001 The Fiscal Court Lacks Adequate Segregation Of Duties Over Cash, Receipts, Reconciliations, And Payroll Reporting

The Allen County Fiscal Court lacks adequate segregation of duties over cash, receipts, bank reconciliations, and payroll reporting. These control weaknesses are present because the county treasurer is responsible for preparing deposits, posting to the receipts ledger, reconciling all bank accounts, preparing monthly reports for the fiscal court and quarterly reports for the Department for Local Government, and performing all payroll reporting procedures. While some compensating controls are in place, including the preparation of receipt listings by the occupational tax administrator and finance officer, the comparisons of these listings to the quarterly report(s) are not sufficient to ensure all receipts are properly recorded. No additional procedures have been implemented to verify the bank reconciliations agree to monthly or quarterly reports, or to ensure payroll reports are accurate and properly recorded in the disbursement ledger.

Lack of adequate segregation of duties can result in misstatements and inaccurate financial reporting that is not detected in a timely manner. To adequately protect assets, effective internal controls require separation of duties involving deposit preparation, recording of receipts, reconciling the bank accounts, and preparation of payroll reports should be separated. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities. Due to limited staff, duties cannot be segregated. Effective internal controls dictate essential duties should be separated.

Compensating controls may be implemented to reduce the risks associated with a lack of adequate segregation of duties. We recommend the duties over cash, receipts, bank reconciliations and payroll reporting procedures be separated. The fiscal court can also strengthen internal controls by implementing the following compensating controls:

- An independent employee could compare the listing of receipts to the county treasurer's deposit and receipt ledger. The comparison should be documented.
- An independent employee could review the county treasurer's bank reconciliations for accuracy and compare to the ending fund balances. This review should be documented on the bank reconciliations.
- An independent employee could review payroll reports prior to distribution of payroll checks. The comparison should verify amounts such as gross wages, withholding amounts, amounts transferred to the payroll revolving account, and should be documented on the applicable payroll reports.

County Judge/Executive Response: No response.

**ALLEN COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2015
(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2015-002 The Fiscal Court Did Not Deposit Receipts Timely

The Allen County Fiscal Court did not deposit receipts timely for garbage collections, occupational taxes, reimbursements received from the City of Scottsville, and other daily receipts. In addition, Transfer Station receipts were not accounted for numerically to ensure all receipts were deposited. Eighteen (18) receipts were deposited in the first week of July 2016 which is fiscal year 2016 and were dated in June when they should have been recorded in fiscal year 2015. Due to some departments being located offsite, receipts are not always brought to the county treasurer's office in a timely manner. Delaying the deposit of receipts or not accounting for all receipts in the proper period can be used to conceal theft of payments, which ultimately can result in less funds being available for expenses of the fiscal court. The practice of making daily deposits and accounting for receipts reduces the risk of misappropriation of cash, which is the asset most subject to possible theft. KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. The minimum requirement for handling public funds as stated in the *County Budget Preparation and State Local Finance Officer Policy Manual* require that deposits be made intact daily. We recommend the fiscal court strengthen controls by depositing receipts intact on a daily basis. We also recommend the fiscal court account for all receipts in numerical order.

County Judge/Executive Response: Due to offsite locations we had lag in deposits. Working to improve that time between offsite cash and deposits.

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

ALLEN COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2015**

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
ALLEN COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2015

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



County Judge/Executive



County Treasurer

