

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

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



**MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817
TELEPHONE (502) 564-5841
FACSIMILE (502) 564-2912**

EXECUTIVE SUMMARY

AUDIT OF THE
BRACKEN COUNTY FISCAL COURT

June 30, 2015

The Auditor of Public Accounts has completed the audit of the Bracken 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 Bracken County Fiscal Court.

Financial Condition:

The Bracken County Fiscal Court had total receipts of \$5,013,448 and disbursements of \$5,023,811 in fiscal year 2015. This resulted in a total ending fund balance of \$4,014,461, which is a decrease of \$10,363 from the prior year.

Deposits:

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

CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT.....	1
BRACKEN COUNTY OFFICIALS.....	4
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - REGULATORY BASIS	6
NOTES TO FINANCIAL STATEMENT	9
BUDGETARY COMPARISON SCHEDULES	19
NOTES TO REGULATORY SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULES	25
SCHEDULE OF CAPITAL ASSETS	29
NOTES TO REGULATORY SUPPLEMENTARY INFORMATION - SCHEDULE OF CAPITAL ASSETS	30
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	33



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 Earl Bush, Bracken County Judge/Executive
Members of the Bracken County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Bracken County Fiscal Court, for the year ended June 30, 2015, and the related notes to the financial statement which collectively comprise the Bracken 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. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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



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

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 the Bracken County Fiscal Court on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Bracken 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 the Bracken 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

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2016 on our consideration of the Bracken County Fiscal Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bracken County Fiscal Court's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a long horizontal line extending to the right.

Mike Harmon
Auditor of Public Accounts

June 30, 2016

BRACKEN COUNTY OFFICIALS

For The Year Ended June 30, 2015

Fiscal Court Members:

Earl Bush	County Judge/Executive
Carl Allen, Jr.	Magistrate
John Corlis	Magistrate
Matthew Clark Hennessey, Jr.	Magistrate
David Hughes	Magistrate
Dennis Jefferson	Magistrate
David Kelsch	Magistrate
Scotty Lippert, Jr.	Magistrate
Doug Smith	Magistrate

Other Elected Officials:

Beth Moore	County Attorney
James Cox	Jailer
Rae Jean Poe	County Clerk
Kathy Free	Circuit Court Clerk
Howard Niemeier	Sheriff
Tracey Florer	Property Valuation Administrator
John G. Parker	Coroner

Appointed Personnel:

Judith F. Brothers	County Treasurer
Tina Teegarden	Financial Officer

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

For The Year Ended June 30, 2015

BRACKEN 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	\$ 1,741,406	\$	\$
In Lieu Tax Payments	220		
Excess Fees	26,868		
Intergovernmental	497,146	1,121,406	82,262
Charges for Services	260		17,269
Miscellaneous	33,842	96,959	2,255
Interest	10,228	793	15
Total Receipts	2,309,970	1,219,158	101,801
DISBURSEMENTS			
General Government	812,661		
Protection to Persons and Property	81,522		189,158
General Health and Sanitation	148,046		
Social Services	4,500		
Recreation and Culture	106,875		
Roads	114,300	1,240,831	
Bus Services	20,092		
Debt Service	57,126	6,364	
Capital Projects		8,919	
Administration	582,637	155,480	21,702
Total Disbursements	1,927,759	1,411,594	210,860
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	382,211	(192,436)	(109,059)
Other Adjustments to Cash (Uses)			
Transfers From Other Funds			110,000
Transfers To Other Funds	(145,000)		
Total Other Adjustments to Cash (Uses)	(145,000)		110,000
Net Change in Fund Balance	237,211	(192,436)	941
Fund Balance - Beginning (Restated)	3,158,734	291,231	5,792
Fund Balance - Ending	\$ 3,395,945	\$ 98,795	\$ 6,733
Composition of Fund Balance			
Bank Balance	\$ 3,465,559	\$ 99,927	\$ 3,742
Plus: Deposits In Transit	17,009		20,000
Less: Outstanding Checks	(86,623)	(1,132)	(17,009)
Certificates of Deposit			
Fund Balance - Ending	\$ 3,395,945	\$ 98,795	\$ 6,733

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

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

<u>Budgeted Funds</u>			<u>Unbudgeted Fund</u>	
<u>State Grants Fund</u>	<u>Senior Fund</u>	<u>Dispatch/911 Fund</u>	<u>Public Properties Corporation Fund</u>	<u>Total Funds</u>
\$	\$	\$ 67,978	\$	\$ 1,809,384
				220
				26,868
63,238		97,571	1,139,650	3,001,273
		6,750		24,279
	3,840	3,376		140,272
	53	10	53	11,152
<u>63,238</u>	<u>3,893</u>	<u>175,685</u>	<u>1,139,703</u>	<u>5,013,448</u>
	20,343			833,004
		162,362		433,042
63,238				211,284
				4,500
				106,875
				1,355,131
				20,092
			1,137,650	1,201,140
			37,012	45,931
		50,966	2,027	812,812
<u>63,238</u>	<u>20,343</u>	<u>213,328</u>	<u>1,176,689</u>	<u>5,023,811</u>
	(16,450)	(37,643)	(36,986)	(10,363)
		35,000		145,000
				(145,000)
		35,000		
	(16,450)	(2,643)	(36,986)	(10,363)
	56,898	23,556	488,613	4,024,824
<u>\$ 0</u>	<u>\$ 40,448</u>	<u>\$ 20,913</u>	<u>\$ 451,627</u>	<u>\$ 4,014,461</u>
\$ 7,446	\$ 15,448	\$ 20,913	\$ 451,627	\$ 4,064,662
				37,009
(7,446)				(112,210)
	25,000			25,000
<u>\$ 0</u>	<u>\$ 40,448</u>	<u>\$ 20,913</u>	<u>\$ 451,627</u>	<u>\$ 4,014,461</u>

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

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENT**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	9
NOTE 2.	DEPOSITS.....	12
NOTE 3.	TRANSFERS	12
NOTE 4.	LONG-TERM DEBT.....	12
NOTE 5.	EMPLOYEE RETIREMENT SYSTEM	14
NOTE 6.	DEFERRED COMPENSATION	16
NOTE 7.	HEALTH REIMBURSEMENT ACCOUNT/FLEXIBLE SPENDING ACCOUNT	16
NOTE 8.	INSURANCE	16
NOTE 9.	RELATED PARTY TRANSACTIONS	16
NOTE 10.	PRIOR PERIOD ADJUSTMENTS	16

BRACKEN COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2015

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

BRACKEN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(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 sources of receipts for this fund are state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the General Fund.

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

State Grants Fund - The primary purpose of this fund is to account for grants and related disbursements. The primary source of receipts for this fund is grants from the state.

Senior Fund - The primary purpose of this fund is to account for rental receipts and maintenance expenses of the senior citizens building.

Dispatch/911 Fund - The primary purpose of this fund is to account for the dispatch expenses of the county. The primary source of receipts for this fund is the 911 telephone surcharge.

Unbudgeted Fund

The fiscal court reports the following unbudgeted fund:

Public Properties Corporation Fund - The primary purpose of this fund is to account for the financing and construction of major capital facilities. This fund handles financial activities associated with the Judicial Center construction.

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.

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 Public Properties Corporation Fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually.

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

Note 1. Summary of Significant Accounting Policies (Continued)

E. Bracken County Elected Officials

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

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.

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

Note 2. Deposits

The fiscal court maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the 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	Total Transfers In
Jail Fund	\$ 110,000	\$ 110,000
Dispatch/911 Fund	35,000	35,000
Total Transfers Out	<u>\$ 145,000</u>	<u>\$ 145,000</u>

Reason for transfers:

To move resources from the General Fund, for budgetary purposes, to the funds that will expend them.

Note 4. Long-term Debt

A. Financing Obligation – Courthouse Addition and Wheel Loader

Bracken County entered into a lease-agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) to build an addition onto the courthouse and to purchase a wheel loader. The lease agreement requires an annual principal payment due each January 20. Interest payments are to be made monthly. The principal balance as of June 30, 2015 was \$120,000. Future principal and interest payments are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2016	\$ 59,000	\$ 4,167
2017	61,000	1,404
Totals	<u>\$ 120,000</u>	<u>\$ 5,571</u>

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

Note 4. Long-term Debt (Continued)

B. First Mortgage Revenue Bonds, Series 2011 – Judicial Center

On August 2, 2011, the Public Properties Corporation issued first mortgage revenue bonds in the amount of \$15,960,000 to finance the construction of the Bracken County Judicial Center and to retire the 2009 bond anticipation notes. The bonds have interest rates from 2% to 5% with a retirement date of February 1, 2031. The principal balance as of June 30, 2015 was \$13,290,000. Future principal and interest payments are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2016	\$ 635,000	\$ 506,975
2017	650,000	487,700
2018	670,000	467,900
2019	690,000	447,500
2020	715,000	426,425
2021-2025	3,960,000	1,732,606
2026-2030	4,860,000	844,644
2031	1,110,000	27,750
Totals	<u>\$ 13,290,000</u>	<u>\$ 4,941,500</u>

C. 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
Financing Obligations	\$ 176,000	\$	\$ 56,000	\$ 120,000	\$ 59,000
First Mortgage Revenue Bonds	13,905,000		615,000	13,290,000	635,000
Total Long-term Debt	<u>\$ 14,081,000</u>	<u>\$ 0</u>	<u>\$ 671,000</u>	<u>\$ 13,410,000</u>	<u>\$ 694,000</u>

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

Note 5. 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 (KRS). 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.

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 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 \$205,424, FY 2014 was \$236,352, and FY 2015 was \$233,496.

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.

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

Note 5. Employee Retirement System (Continued)

A. Plan Description (Continued)

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

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

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

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

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, Bracken County's proportionate share of the net pension liability as of June 30, 2015 is:

	<u>June 30, 2014</u>	<u>June 30, 2015</u>
Hazardous	\$ 272,000	\$ 243,000
Non-Hazardous	1,675,000	1,480,000
Totals	\$ 1,947,000	\$ 1,723,000

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.

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

Note 6. Deferred Compensation

The Bracken 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 7. Health Reimbursement Account/Flexible Spending Account

The Bracken Fiscal Court established a health reimbursement account to provide employees an additional health benefit. The county has contracted with a third-party administrator to administer the plan. The plan provides a debit card to each eligible employee providing \$2,000 each year for a single plan or \$2,500 with a dependent to pay for qualified medical expenses. Employees may also contribute additional pre-tax funds through payroll deduction.

Note 8. Insurance

For the fiscal year ended June 30, 2015, Bracken 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

A magistrate owns a supply company. During the fiscal year ended June 30, 2014, the Bracken County fiscal court spent \$832 with this company.

A magistrate purchased a surplus vehicle from the fiscal court for \$1,000 at a surplus auction.

Note 10. Prior Period Adjustment

The beginning balance of the General Fund was increased by \$297 to account for a prior year voided check. This resulted in a restated beginning balance of \$3,158,734.

BRACKEN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2015

BRACKEN 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	\$ 1,330,000	\$ 1,330,000	\$ 1,741,406	\$ 411,406
In Lieu Tax Payments	100	100	220	120
Excess Fees	2,500	2,500	26,868	24,368
Intergovernmental	579,876	579,876	488,223	(91,653)
Charges for Services	1,000	1,000	260	(740)
Miscellaneous	9,400	9,400	33,842	24,442
Interest	8,100	8,100	10,228	2,128
Total Receipts	<u>1,930,976</u>	<u>1,930,976</u>	<u>2,301,047</u>	<u>370,071</u>
DISBURSEMENTS				
General Government	974,124	1,008,376	812,661	195,715
Protection to Persons and Property	104,880	104,895	81,522	23,373
General Health and Sanitation	176,010	176,657	148,046	28,611
Social Services	5,000	5,000	4,500	500
Recreation and Culture	161,700	164,840	106,875	57,965
Roads	100,000	214,300	114,300	100,000
Bus Services	16,000	20,093	20,092	1
Debt Service	50,480	52,783	48,203	4,580
Administration	2,952,562	2,793,812	582,637	2,211,175
Total Disbursements	<u>4,540,756</u>	<u>4,540,756</u>	<u>1,918,836</u>	<u>2,621,920</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(2,609,780)</u>	<u>(2,609,780)</u>	<u>382,211</u>	<u>2,991,991</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	<u>(575,928)</u>	<u>(575,928)</u>	<u>(145,000)</u>	<u>430,928</u>
Total Other Adjustments to Cash (Uses)	<u>(575,928)</u>	<u>(575,928)</u>	<u>(145,000)</u>	<u>430,928</u>
Net Change in Fund Balance	(3,185,708)	(3,185,708)	237,211	3,422,919
Fund Balance - Beginning (Restated)	<u>3,185,708</u>	<u>3,185,708</u>	<u>3,158,734</u>	<u>(26,974)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,395,945</u>	<u>\$ 3,395,945</u>

BRACKEN 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	\$ 1,542,551	\$ 1,542,551	\$ 1,121,406	\$ (421,145)
Miscellaneous	41,000	41,000	96,959	55,959
Interest	500	500	793	293
Total Receipts	<u>1,584,051</u>	<u>1,584,051</u>	<u>1,219,158</u>	<u>(364,893)</u>
DISBURSEMENTS				
Roads	1,542,596	1,596,888	1,240,831	356,057
Debt Service	6,364	6,364	6,364	
Capital Projects	8,400	8,919	8,919	
Administration	212,156	157,345	155,480	1,865
Total Disbursements	<u>1,769,516</u>	<u>1,769,516</u>	<u>1,411,594</u>	<u>357,922</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(185,465)</u>	<u>(185,465)</u>	<u>(192,436)</u>	<u>(6,971)</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	47,683	47,683		(47,683)
Total Other Adjustments to Cash (Uses)	<u>47,683</u>	<u>47,683</u>		<u>(47,683)</u>
Net Change in Fund Balance	(137,782)	(137,782)	(192,436)	(54,654)
Fund Balance - Beginning	<u>137,782</u>	<u>137,782</u>	<u>291,231</u>	<u>153,449</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 98,795</u>	<u>\$ 98,795</u>

BRACKEN 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	\$ 56,972	\$ 56,972	\$ 82,262	\$ 25,290
Charges for Services	33,000	33,000	17,269	(15,731)
Miscellaneous			2,255	2,255
Interest	10	10	15	5
Total Receipts	<u>89,982</u>	<u>89,982</u>	<u>101,801</u>	<u>11,819</u>
DISBURSEMENTS				
Protection to Persons and Property	249,926	250,160	189,158	61,002
Administration	45,033	44,799	21,702	23,097
Total Disbursements	<u>294,959</u>	<u>294,959</u>	<u>210,860</u>	<u>84,099</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(204,977)</u>	<u>(204,977)</u>	<u>(109,059)</u>	<u>95,918</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>201,977</u>	<u>201,977</u>	<u>110,000</u>	<u>(91,977)</u>
Total Other Adjustments to Cash (Uses)	<u>201,977</u>	<u>201,977</u>	<u>110,000</u>	<u>(91,977)</u>
Net Change in Fund Balance	(3,000)	(3,000)	941	3,941
Fund Balance - Beginning	<u>3,000</u>	<u>3,000</u>	<u>5,792</u>	<u>2,792</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 6,733</u>	<u>\$ 6,733</u>

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

STATE GRANTS FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 86,213	\$ 86,213	\$ 63,238	\$ (22,975)
Total Receipts	<u>86,213</u>	<u>86,213</u>	<u>63,238</u>	<u>(22,975)</u>
DISBURSEMENTS				
General Health and Sanitation	86,213	86,213	63,238	22,975
Total Disbursements	<u>86,213</u>	<u>86,213</u>	<u>63,238</u>	<u>22,975</u>
Net Change in Fund Balance				
Fund Balance - Beginning				
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

	SENIOR FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$ 3,500	\$ 3,500	\$ 3,840	\$ 340
Interest	80	80	53	(27)
Total Receipts	<u>3,580</u>	<u>3,580</u>	<u>3,893</u>	<u>313</u>
DISBURSEMENTS				
General Government	<u>60,642</u>	<u>60,642</u>	<u>20,343</u>	<u>40,299</u>
Total Disbursements	<u>60,642</u>	<u>60,642</u>	<u>20,343</u>	<u>40,299</u>
Net Change in Fund Balance	(57,062)	(57,062)	(16,450)	40,612
Fund Balance - Beginning	<u>57,062</u>	<u>57,062</u>	<u>56,898</u>	<u>(164)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 40,448</u>	<u>\$ 40,448</u>

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

DISPATCH/911 FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 65,000	\$ 65,000	\$ 67,978	\$ 2,978
Intergovernmental	98,000	98,000	97,571	(429)
Charges for Services	17,700	17,700	6,750	(10,950)
Miscellaneous			3,376	3,376
Interest	10	10	10	
Total Receipts	<u>180,710</u>	<u>180,710</u>	<u>175,685</u>	<u>(5,025)</u>
DISBURSEMENTS				
Protection to Persons and Property	451,866	466,879	162,362	304,517
Administration	71,983	56,970	50,966	6,004
Total Disbursements	<u>523,849</u>	<u>523,849</u>	<u>213,328</u>	<u>310,521</u>
Excess (Deficiency) of Receipts Over				
Disbursements Before Other				
Adjustments to Cash (Uses)	<u>(343,139)</u>	<u>(343,139)</u>	<u>(37,643)</u>	<u>305,496</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>326,268</u>	<u>326,268</u>	<u>35,000</u>	<u>(291,268)</u>
Total Other Adjustments to Cash (Uses)	<u>326,268</u>	<u>326,268</u>	<u>35,000</u>	<u>(291,268)</u>
Net Change in Fund Balance	(16,871)	(16,871)	(2,643)	14,228
Fund Balance - Beginning	<u>16,871</u>	<u>16,871</u>	<u>23,556</u>	<u>6,685</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 20,913</u>	<u>\$ 20,913</u>

BRACKEN 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.

Note 2. Reconciliation of the General Fund

The *Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis* differs from the *Budgetary Comparison Schedule* for the General Fund for intergovernmental receipts and debt service by \$8,923 due to payments by the Administrative Office of the Courts directly to the trustee for debt service.

THIS PAGE LEFT BLANK INTENTIONALLY

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

BRACKEN 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:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Land and Land Improvements	\$ 794,138	\$	\$	\$ 794,138
Buildings	16,566,370	64,809		16,631,179
Vehicles	702,354	177,427	47,560	832,221
Equipment	1,453,992	54,608	29,500	1,479,100
Infrastructure	4,607,254	517,320		5,124,574
 Total Capital Assets	 <u>\$ 24,124,108</u>	 <u>\$ 814,164</u>	 <u>\$ 77,060</u>	 <u>\$24,861,212</u>

BRACKEN 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 and Building Improvements	\$ 25,000	10 - 75
Equipment	\$ 2,500	3 - 25
Vehicles	\$ 2,500	6 - 10
Infrastructure	\$ 20,000	10 - 50
Intangibles	\$ 2,500	2 - 40

**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***



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

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

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Bracken County Fiscal Court's internal control over financial reporting (internal control) to determine 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 Bracken County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bracken County Fiscal Court's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



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 Bracken 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a long horizontal line extending to the right.

Mike Harmon
Auditor of Public Accounts

June 30, 2016

