

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

**For The Year Ended
June 30, 2018**



**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**

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
The Honorable Matthew G. Bevin, Governor
William M. Landrum III, Secretary
Finance and Administration Cabinet
The Honorable Randy Dial, Casey County Judge/Executive
Members of the Casey 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 Casey County Fiscal Court, for the year ended June 30, 2018, and the related notes to the financial statement which collectively comprise the Casey County Fiscal Court's financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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



To the People of Kentucky
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Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the Casey 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 Casey County Fiscal Court as of June 30, 2018, 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 Casey County Fiscal Court as of June 30, 2018, and their respective cash receipts and disbursements, and budgetary results for the year then ended, in accordance with the basis of accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of the Casey 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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Members of the Casey County Fiscal Court

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 2, 2019, on our consideration of the Casey 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 Casey County Fiscal Court's internal control over financial reporting and compliance.

Based on the results of our audit, we present the accompanying Schedule of Findings and Responses included herein, which discusses the following report findings:

- 2018-001 The Casey County Jail Commissary Lacks Adequate Segregation Of Duties
- 2018-002 The Casey County Jail Commingled Inmate Monies With Commissary Funds
- 2018-003 The Casey County Jailer Did Not Follow Up On All Outstanding Checks In A Timely Manner

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

July 2, 2019

CASEY COUNTY OFFICIALS
For The Year Ended June 30, 2018

Fiscal Court Members:

Randy Dial	County Judge/Executive
Robbie Murphy	Magistrate
Kenny Morgan	Magistrate
Bart Woodrum	Magistrate
Jamey Maupin	Magistrate

Other Elected Officials:

Thomas M. Weddle, Jr.	County Attorney
Tommy Miller	Jailer
Casey Davis	County Clerk
Craig Overstreet	Circuit Court Clerk
Jerry Coffman	Sheriff
Eric Brown	Property Valuation Administrator
Curt Demrow	Coroner

Appointed Personnel:

Debra Vaughn	County Treasurer
Judy Allen	Deputy Judge/Executive

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

For The Year Ended June 30, 2018

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

For The Year Ended June 30, 2018

	Budgeted Funds			
	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund
RECEIPTS				
Taxes	\$ 1,422,312	\$	\$	\$
Excess Fees	158,922			
Licenses and Permits	17,650			
Intergovernmental	278,201	2,093,819	2,880,780	18,887
Charges for Services	33,508		7,676	
Miscellaneous	371,451	507,861	95,026	
Interest	6,538	4,670	7,939	52
Total Receipts	<u>2,288,582</u>	<u>2,606,350</u>	<u>2,991,421</u>	<u>18,939</u>
DISBURSEMENTS				
General Government	950,546			2,500
Protection to Persons and Property	48,351		2,376,246	
General Health and Sanitation	129,112			
Social Services	11,808			
Recreation and Culture	272,506			
Roads		2,089,308		
Debt Service	56,077		366,105	
Administration	653,318	212,644	624,418	
Total Disbursements	<u>2,121,718</u>	<u>2,301,952</u>	<u>3,366,769</u>	<u>2,500</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>166,864</u>	<u>304,398</u>	<u>(375,348)</u>	<u>16,439</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds				
Transfers To Other Funds				(20,665)
Total Other Adjustments to Cash (Uses)				<u>(20,665)</u>
Net Change in Fund Balance	166,864	304,398	(375,348)	(4,226)
Fund Balance - Beginning	852,574	1,366,553	407,455	75,274
Fund Balance - Ending	<u>\$ 1,019,438</u>	<u>\$ 1,670,951</u>	<u>\$ 32,107</u>	<u>\$ 71,048</u>
Composition of Fund Balance				
Bank Balance	\$ 866,913	\$ 1,380,909	\$ 32,086	\$ 71,048
Plus: Deposits In Transit	153,190	290,365	201	
Less: Outstanding Checks	(665)	(323)	(180)	
Fund Balance - Ending	<u>\$ 1,019,438</u>	<u>\$ 1,670,951</u>	<u>\$ 32,107</u>	<u>\$ 71,048</u>

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

CASEY COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2018
(Continued)

<u>Budgeted Funds</u>			<u>Unbudgeted Funds</u>		
<u>State Economic Development Fund</u>	<u>Federal Grant Fund</u>	<u>Emergency 911 Fund</u>	<u>Casey County Public Properties Judicial Center Fund</u>	<u>Jail Commissary Fund</u>	<u>Total Funds</u>
\$	\$	\$ 286,931	\$	\$	\$1,709,243
					158,922
					17,650
	72,350		509,850		5,853,887
					41,184
				333,989	1,308,327
17		246	5		19,467
17	72,350	287,177	509,855	333,989	9,108,680
	93,015				1,046,061
		197,606			2,622,203
					129,112
					11,808
				337,510	610,016
					2,089,308
			508,350		930,532
		80,893	1,500		1,572,773
	93,015	278,499	509,850	337,510	9,011,813
17	(20,665)	8,678	5	(3,521)	96,867
	20,665				20,665
					(20,665)
	20,665				
17		8,678	5	(3,521)	96,867
2,926		40,108	285	114,128	2,859,303
\$ 2,943	\$ 0	\$ 48,786	\$ 290	\$ 110,607	\$2,956,170
\$ 2,943	\$	\$ 49,257	\$ 290	\$ 113,492	\$2,516,938
		(471)		(2,885)	443,756
					(4,524)
\$ 2,943	\$ 0	\$ 48,786	\$ 290	\$ 110,607	\$2,956,170

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

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENT**

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**CASEY COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2018

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

B. Basis of Accounting

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

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

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

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

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

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

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of receipts for this fund are reimbursements from the state and federal governments, payments from other counties for housing prisoners, and transfers from the general fund. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the general fund.

CASEY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

Local Government Economic Assistance Fund - The primary purpose of this fund is to account for grants and related disbursements. The primary sources of receipts for this fund are grants from the state and federal governments.

State Economic Development Fund - The primary purpose of this fund is to account for the grant and related disbursements restricted for economic development. The primary source of receipts for this fund is state grants.

Federal Grant Fund - The primary purpose of this fund is to account for grants and related disbursements restricted for federal grants. The primary source of receipts for this fund is federal grants.

Emergency 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 Funds

The fiscal court reports the following unbudgeted funds:

Casey County Public Properties Judicial Center Fund - The primary purpose of this fund is to account for debt service requirements of the First Mortgage Refunding Revenue Bonds, Series 2011. The Department for Local Government does not require the fiscal court to budget this fund.

Jail Commissary Fund - The canteen operations are authorized pursuant to KRS 441.135. The profits generated from the sale of items are to be used for the benefit and to enhance the well-being of the inmates, or to enhance safety and security within the jail. The jailer is required to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the jail commissary fund.

D. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board and according to the laws of Kentucky as required by the state local finance officer.

The county judge/executive is required to submit estimated receipts and proposed disbursements to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

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.

CASEY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information (Continued)

The state local finance officer does not require the public properties judicial center fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually.

E. Casey County Elected Officials

Kentucky law provides for election of the officials listed below from the geographic area constituting Casey County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statement of the Casey County Fiscal Court.

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

F. Deposits and Investments

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

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

G. Long-term Obligations

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

CASEY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 2. Deposits

The fiscal court maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the fiscal court and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 66.480(1)(d) and KRS 41.240. As of June 30, 2018, 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 2018.

	LGEA Fund	Total Transfers In
Federal Grant Fund	\$ 20,665	\$ 20,665
Total Transfers Out	<u>\$ 20,665</u>	<u>\$ 20,665</u>

Reason for transfers:

To move resources from the LGEA fund to the federal grant fund for county share of a federal grant to purchase a sheriff cruiser.

Note 4. Agency Trust Fund

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

The fiscal court has the following agency trust fund:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2018, was \$58,584.

CASEY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 5. Long-term Debt

A. Casey County Public Properties Corporation First Mortgage Refunding Bonds, Series 2011

On November 2, 2011, the Casey County Public Properties Corporation issued First Mortgage Refunding Revenue Bonds, Series 2011. Bond Proceeds were used to refund the \$6,375,000 Casey County Public Properties Corporation First Mortgage Revenue Bonds, Series 2002, which were issued for the purpose of constructing a new Judicial Center Facility for lease to the Administrative Office of the Courts.

Casey County Public Properties Corporation First Mortgage Refunding Revenue Bonds, Series 2011, total principal was \$4,280,000, and requires annual principal payment due on August 1 beginning August 1, 2013, for a period of ten years. Interest payments are due semi-annually at a varying rate, ranging from 2 percent to 3.25 percent due on February 1 and August 1 beginning February 1, 2012, for a period of ten years. Principal outstanding as of June 30, 2018, was \$2,355,000.

Fiscal Year Ended June 30	Principal	Interest
2019	\$ 445,000	\$ 66,725
2020	455,000	53,225
2021	470,000	39,350
2022	485,000	25,025
2023	500,000	8,125
Totals	<u>\$ 2,355,000</u>	<u>\$ 192,450</u>

The Casey County Public Properties Corporation (Corporation), Casey County Fiscal Court, and the Administrative Office of the Courts (AOC) entered into a lease agreement dated March 1, 2001, with a lease addendum dated February 1, 2002, wherein AOC shall lease from the Corporation the new judicial center at an agreed rental which is anticipated to pay 100 percent of the debt service of the bond.

B. Jail Detention Center Refunding-Financing Obligation

On April 12, 2011, the Casey County Fiscal Court entered into a general obligation lease agreement with Fifth Third Bank for the purpose of refunding the Kentucky Area Development Districts (KADD) Leasing Trust Program Lease which was used to fund a new detention facility. On May 2, 2011, the Casey County Fiscal Court used these funds to pay off the existing KADD lease principal and interest due.

The general obligation lease total principal was \$3,639,523, and required one principal payment on June 1, 2011, of \$57,608 and requires annual principal payments due December 1 beginning December 1, 2011, for a period of 12 years. The maturity date is November 2022. Interest payments are due semi-annually at a fixed rate of 3.9 percent due on December 1, and June 1 for a period of 12 years. Principal outstanding as of June 30, 2018, was \$1,680,415.

CASEY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 5. Long-term Debt (Continued)

B. Jail Detention Center Refunding-Financing Obligation (Continued)

Fiscal Year Ended June 30	Principal	Interest
2019	\$ 306,158	\$ 59,566
2020	322,091	47,315
2021	342,530	34,355
2022	347,529	20,899
2023	362,106	7,061
Totals	<u>\$ 1,680,414</u>	<u>\$ 169,196</u>

C. College Land and Building-Financing Obligation

On June 30, 2015, the Casey County Fiscal Court entered into a general obligation lease in the amount of \$492,000, with Casey County Bank for the purpose of acquisition, development, and construction of real property and building for the Kentucky Community and Technical College System. These funds were used to pay off the short term debt for the Casey County Educational Building Project. The general obligation lease requires semi-annual interest payments due on December 1 and June 1 at a rate of 2.50 percent. The bond will mature on June 30, 2025. Principal outstanding as of June 30, 2018, was \$356,231.

Fiscal Year Ended June 30	Principal	Interest
2019	\$ 47,199	\$ 8,906
2020	48,379	7,726
2021	49,589	6,516
2022	50,828	5,276
2023	52,099	4,006
2024-2025	108,137	4,072
Totals	<u>\$ 356,231</u>	<u>\$ 36,502</u>

D. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds	\$ 2,785,000	\$	\$ 430,000	\$ 2,355,000	\$ 445,000
Financing Obligations	2,377,513		340,868	2,036,645	353,357
Total Long-term Debt	<u>\$ 5,162,513</u>	<u>\$ 0</u>	<u>\$ 770,868</u>	<u>\$ 4,391,645</u>	<u>\$ 798,357</u>

CASEY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 6. Employee Retirement System

The fiscal court has elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which is administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). This is a cost-sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute.

The county's contribution for FY 2016 was \$465,650, FY 2017 was \$491,264, and FY 2018 was \$514,867.

Nonhazardous

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008, are required to contribute 6 percent of their salary to be allocated as follows: 5 percent will go to the member's account and 1 percent will go to the KRS insurance fund.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own accounts. Nonhazardous covered employees contribute 5 percent of their annual creditable compensation. Nonhazardous members also contribute 1 percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the KRS Board of Directors based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a 4 percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

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

The county's contribution rate for nonhazardous employees was 19.18 percent.

Hazardous

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

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan.

CASEY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 6. Employee Retirement System (Continued)

Hazardous (Continued)

Members in the plan contribute a set percentage of their salary each month to their own accounts. Hazardous members contribute 8 percent of their annual creditable compensation and also contribute 1 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 hazardous member's account is credited with a 7.5 percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

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.

The county's contribution rate for hazardous employees was 31.55 percent.

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage – Tier 1

CERS 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, the 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.

Benefits are covered under KRS 161.714 with exception of COLA and retiree health benefits after July 2003.

CASEY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 6. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

B. Health Insurance Coverage - Tier 2 and Tier 3 - Nonhazardous

Once members reach a minimum vesting period of 15 years, 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 by 1.5%. This was established for Tier 2 members during the 2008 Special Legislative Session by House Bill 1. During the 2013 Legislative Session, Senate Bill 2 was enacted, creating Tier 3 benefits for members.

The monthly insurance benefit has been increased annually as a 1.5% cost of living adjustment (COLA) since July 2003 when the law changed. The annual increase is cumulative and continues to accrue after the member's retirement.

Tier 2 member benefits are covered by KRS 161.714 with exception of COLA and retiree health benefits after July 2003. Tier 3 members are not covered by the same provisions.

C. Health Insurance Coverage - Tier 2 and Tier 3 - Hazardous

Once members reach a minimum vesting period of 15 years, earn fifteen 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 by 1.5%. Upon the death of a hazardous employee, the employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This was established for Tier 2 members during the 2008 Special Legislative Session by House Bill 1. During the 2013 Legislative Session, Senate Bill 2 was enacted, creating Tier 3 benefits for members.

The monthly insurance benefit has been increased annually as a 1.5% COLA since July 2003 when the law changed. The annual increase is cumulative and continues to accrue after the member's retirement.

D. Cost of Living Adjustments - Tier 1

The 1996 General Assembly enacted an automatic cost of living adjustment (COLA) provision for all recipients of KRS benefits. During the 2008 Special Session, the General Assembly determined that each July beginning in 2009, retirees who have been receiving a retirement allowance for at least 12 months will receive an automatic COLA of 1.5%. The COLA is not a guaranteed benefit. If a retiree has been receiving a benefit for less than 12 months, and a COLA is provided, it will be prorated based on the number of months the recipient has been receiving a benefit.

E. Cost of Living Adjustments - Tier 2 and Tier 3

No COLA is given unless authorized by the legislature with specific criteria. To this point, no COLA has been authorized by the legislature for Tier 2 or Tier 3 members.

F. Death Benefit

If a retired member is receiving a monthly benefit based on at least 48 months of service credit, KRS will pay a \$5,000 death benefit payment to the beneficiary designated by the member specifically for this benefit. Members with multiple accounts are entitled to only one death benefit.

CASEY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 6. Employee Retirement System (Continued)

KRS Annual Financial Report and Proportionate Share Audit Report

KRS issues a publicly available annual financial report that includes financial statements and required supplementary information on CERS. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

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

Note 7. Insurance

For the fiscal year ended June 30, 2018, the Casey County Fiscal Court was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 8. Flexible Spending Account

The Casey County Fiscal Court, established a flexible spending account on August 5, 2015, to provide employees an additional health benefit. The county has contracted with a third-party administrator to administer the plan. The plan provides a benefit card to the full time insured employees to help with the high deductible. Full time insured employees get a maximum of \$2,000 annually. As of June 30, 2018, the balance of the plan is \$0.

CASEY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2018

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CASEY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2018

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 1,256,500	\$ 1,256,500	\$ 1,422,312	\$ 165,812
Excess Fees	107,475	107,475	158,922	51,447
Licenses and Permits	21,000	21,000	17,650	(3,350)
Intergovernmental	361,358	361,358	278,201	(83,157)
Charges for Services	35,500	35,500	33,508	(1,992)
Miscellaneous	284,200	284,200	371,451	87,251
Interest	3,500	3,500	6,538	3,038
Total Receipts	<u>2,069,533</u>	<u>2,069,533</u>	<u>2,288,582</u>	<u>219,049</u>
DISBURSEMENTS				
General Government	1,019,268	1,077,436	950,546	126,890
Protection to Persons and Property	49,900	56,774	48,351	8,423
General Health and Sanitation	170,877	170,877	129,112	41,765
Social Services	12,500	17,761	11,808	5,953
Recreation and Culture	294,750	350,384	272,506	77,878
Debt Service	56,200	57,248	56,077	1,171
Administration	871,038	744,053	653,318	90,735
Total Disbursements	<u>2,474,533</u>	<u>2,474,533</u>	<u>2,121,718</u>	<u>352,815</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(405,000)</u>	<u>(405,000)</u>	<u>166,864</u>	<u>571,864</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	55,000	55,000		(55,000)
Transfers To Other Funds	(50,000)	(50,000)		50,000
Total Other Adjustments to Cash (Uses)	<u>5,000</u>	<u>5,000</u>		<u>(5,000)</u>
Net Change in Fund Balance	(400,000)	(400,000)	166,864	566,864
Fund Balance - Beginning	<u>400,000</u>	<u>400,000</u>	<u>852,574</u>	<u>452,574</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,019,438</u>	<u>\$ 1,019,438</u>

CASEY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2018
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 2,009,681	\$ 2,009,681	\$ 2,093,819	\$ 84,138
Miscellaneous	238,000	238,000	507,861	269,861
Interest	5,000	5,000	4,670	(330)
Total Receipts	<u>2,252,681</u>	<u>2,252,681</u>	<u>2,606,350</u>	<u>353,669</u>
DISBURSEMENTS				
Roads	2,377,600	2,477,600	2,089,308	388,292
Administration	570,081	470,081	212,644	257,437
Total Disbursements	<u>2,947,681</u>	<u>2,947,681</u>	<u>2,301,952</u>	<u>645,729</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(695,000)</u>	<u>(695,000)</u>	<u>304,398</u>	<u>999,398</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	<u>(55,000)</u>	<u>(55,000)</u>		<u>55,000</u>
Total Other Adjustments to Cash (Uses)	<u>(55,000)</u>	<u>(55,000)</u>		<u>55,000</u>
Net Change in Fund Balance	(750,000)	(750,000)	304,398	1,054,398
Fund Balance - Beginning	<u>750,000</u>	<u>750,000</u>	<u>1,366,553</u>	<u>616,553</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,670,951</u>	<u>\$ 1,670,951</u>

CASEY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2018
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 3,317,600	\$ 3,317,600	\$ 2,880,780	\$ (436,820)
Charges for Services	20,000	20,000	7,676	(12,324)
Miscellaneous	110,500	110,500	95,026	(15,474)
Interest	5,000	5,000	7,939	2,939
Total Receipts	<u>3,453,100</u>	<u>3,453,100</u>	<u>2,991,421</u>	<u>(461,679)</u>
DISBURSEMENTS				
Protection to Persons and Property	2,387,100	2,468,607	2,376,246	92,361
Debt Service	495,000	367,000	366,105	895
Administration	646,000	692,493	624,418	68,075
Total Disbursements	<u>3,528,100</u>	<u>3,528,100</u>	<u>3,366,769</u>	<u>161,331</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(75,000)</u>	<u>(75,000)</u>	<u>(375,348)</u>	<u>(300,348)</u>
Net Change in Fund Balance	(75,000)	(75,000)	(375,348)	(300,348)
Fund Balance - Beginning	<u>75,000</u>	<u>75,000</u>	<u>407,455</u>	<u>332,455</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 32,107</u>	<u>\$ 32,107</u>

CASEY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2018
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 15,000	\$ 15,000	\$ 18,887	\$ 3,887
Interest	25	25	52	27
Total Receipts	<u>15,025</u>	<u>15,025</u>	<u>18,939</u>	<u>3,914</u>
DISBURSEMENTS				
General Government	40,000	40,000	2,500	37,500
Administration	65,025	65,025		65,025
Total Disbursements	<u>105,025</u>	<u>105,025</u>	<u>2,500</u>	<u>102,525</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(90,000)</u>	<u>(90,000)</u>	<u>16,439</u>	<u>106,439</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds			(20,665)	(20,665)
Total Other Adjustments to Cash (Uses)			<u>(20,665)</u>	<u>(20,665)</u>
Net Change in Fund Balance	(90,000)	(90,000)	(4,226)	85,774
Fund Balance - Beginning	<u>90,000</u>	<u>90,000</u>	<u>75,274</u>	<u>(14,726)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 71,048</u>	<u>\$ 71,048</u>

CASEY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2018
(Continued)

STATE ECONOMIC DEVELOPMENT FUND				
	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
RECEIPTS				
Interest	\$ 11	\$ 11	\$ 17	\$ 6
Total Receipts	<u>11</u>	<u>11</u>	<u>17</u>	<u>6</u>
DISBURSEMENTS				
Administration	2,931	2,931		2,931
Total Disbursements	<u>2,931</u>	<u>2,931</u>		<u>2,931</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(2,920)</u>	<u>(2,920)</u>	17	<u>2,937</u>
Net Change in Fund Balance	(2,920)	(2,920)	17	2,937
Fund Balance - Beginning	<u>2,920</u>	<u>2,920</u>	2,926	<u>6</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,943</u>	<u>\$ 2,943</u>

CASEY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2018
(Continued)

	FEDERAL GRANT FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 20,000	\$ 1,020,000	\$ 72,350	\$ (947,650)
Total Receipts	<u>20,000</u>	<u>1,020,000</u>	<u>72,350</u>	<u>(947,650)</u>
DISBURSEMENTS				
General Government	20,000	1,020,000	93,015	926,985
Total Disbursements	<u>20,000</u>	<u>1,020,000</u>	<u>93,015</u>	<u>926,985</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			<u>(20,665)</u>	<u>(20,665)</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			20,665	20,665
Total Other Adjustments to Cash (Uses)			<u>20,665</u>	<u>20,665</u>
Net Change in Fund Balance				
Fund Balance - Beginning				
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

CASEY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2018
(Continued)

	EMERGENCY 911 FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 230,000	\$ 230,000	\$ 286,931	\$ 56,931
Intergovernmental	90,000	90,000		(90,000)
Interest	200	200	246	46
Total Receipts	<u>320,200</u>	<u>320,200</u>	<u>287,177</u>	<u>(33,023)</u>
DISBURSEMENTS				
Protection to Persons and Property	303,250	305,250	197,606	107,644
Administration	101,950	99,950	80,893	19,057
Total Disbursements	<u>405,200</u>	<u>405,200</u>	<u>278,499</u>	<u>126,701</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(85,000)</u>	<u>(85,000)</u>	<u>8,678</u>	<u>93,678</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>50,000</u>	<u>50,000</u>		<u>(50,000)</u>
Total Other Adjustments to Cash (Uses)	<u>50,000</u>	<u>50,000</u>		<u>(50,000)</u>
Net Change in Fund Balance	(35,000)	(35,000)	8,678	43,678
Fund Balance - Beginning	<u>35,000</u>	<u>35,000</u>	<u>40,108</u>	<u>5,108</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 48,786</u>	<u>\$ 48,786</u>

**CASEY COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES**

June 30, 2018

Note 1. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board and according to the laws of Kentucky as required by the state local finance officer.

The county judge/executive is required to submit estimated receipts and proposed disbursements to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the state local finance officer. Disbursements may not exceed budgeted appropriations at the activity level.

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

For The Year Ended June 30, 2018

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CASEY COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2018

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 1,215,000	\$	\$	\$ 1,215,000
Land Improvements	141,641			141,641
Buildings	16,914,283			16,914,283
Equipment	2,079,881	66,806		2,146,687
Vehicles	1,130,696	527,316	421,712	1,236,300
Infrastructure	9,091,059	1,096,779		10,187,838
 Total Capital Assets	 <u>\$ 30,572,560</u>	 <u>\$ 1,690,901</u>	 <u>\$ 421,712</u>	 <u>\$ 31,841,749</u>

**CASEY COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - SCHEDULE OF CAPITAL ASSETS**

June 30, 2018

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
Building Improvements	\$ 25,000	10 - 20
Vehicles	\$ 2,500	3 - 5
Equipment	\$ 2,500	3 - 25
Infrastructure	\$ 20,000	10 - 50

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

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Randy Dial, Casey County Judge/Executive
Members of the Casey 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 Casey County Fiscal Court for the fiscal year ended June 30, 2018, and the related notes to the financial statement which collectively comprise the Casey County Fiscal Court's financial statement and have issued our report thereon dated July 2, 2019.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified a certain deficiency in internal control that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

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 deficiency described in the accompanying Schedule of Findings and Responses as item 2018-001 to be a material weakness.



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

Internal Control Over Financial Reporting (Continued)

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2018-002 to be a significant deficiency.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Casey County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2018-002 and 2018-003.

Views of Responsible Officials and Planned Corrective Action

Casey County's views and planned corrective action for the findings identified in our audit are included in the accompanying Schedule of Findings and Responses. The county's responses were not subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we express no opinion on them.

Purpose of this Report

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

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

July 2, 2019

**CASEY COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2018

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**CASEY COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2018

FINANCIAL STATEMENT FINDINGS:

2018-001 The Casey County Jail Commissary Lacks Adequate Segregation Of Duties

This is a repeat finding and was included in the prior year audit report as finding 2017-006. The Casey County Jail Commissary lacks adequate segregation of duties over all jail commissary accounting functions. The jailer's bookkeeper receives the mail, collects cash, issues receipts, prepares and deposit receipts, writes and signs checks, and prepares bank reconciliations. The bookkeeper also posts to the receipts and disbursements ledger.

According to the jailer's bookkeeper, this condition is a result of a limited budget, which restricts the number of employees the jailer can hire or delegate duties to. The lack of oversight could result in undetected misappropriation of assets and inaccurate financial reporting to the fiscal court.

A proper segregation of duties over the accounting functions or implementing compensating controls, when necessary because of a limited number of staff is essential for providing protection from undetected errors occurring. Additionally, a proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

We recommend the jailer segregate the duties of preparing deposits, recording receipts, preparing the bank reconciliations, and signing checks. If segregation of duties is not feasible due to lack of staff, we recommend the jailer implement and document compensating controls to offset this control deficiency.

Views of Responsible Official and Planned Corrective Action:

County Jailer's Response: The Casey Co. Detention Center Commissary hired another individual in August of 2018 to help with all canteen duties. This now makes it possible for all duties to be supervised by two canteen employees, captain, and the jailer.

2018-002 The Casey County Jail Commingled Inmate Monies With Commissary Funds

This is a repeat finding and was included in the prior year audit report as finding 2017-002. The jailer maintains two separate bank accounts to account for receipts and disbursements of the jail commissary fund. The inmate account is used for all inmate moneys received and disbursed as refunds or transfers to the commissary account for commissary purchases by the inmates, and jail fees collected from the inmates for payment to the county treasurer. No other receipts should be deposited into this account and no other disbursements should be made from it. Deposits to the commissary account should only consist of transfers from inmate accounts for commissary purchases and jail fees collected from the inmates as well as any other monies relating to commissary activity.

As of June 30, 2018, the inmate account balance had a reconciled balance of \$58,584. Based on the inmate report, inmate balances totaled \$8,497 as of June 30, 2018, leaving \$50,087 of monies in the inmate account unaccounted for.

This was able to occur due to the lack of oversight and review of the monthly reconciliations. By paying expenditures other than for inmates from the inmate account, private monies could be used for a public purpose. This also allows an opportunity for cash to be diverted or misappropriated.

KRS 64.850 states, "[i]t shall be unlawful for county official to deposit public funds with individual or private funds in any bank or other depository or for any such official to withdraw public funds for any purpose other than which they were received and deposited."

**CASEY COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2018
(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2018-002 The Casey County Jail Commingled Inmate Monies With Commissary Funds (Continued)

We recommend the jailer avoid comingling inmate and commissary funds by depositing inmate moneys only to the inmate account and issuing checks from the inmate account only for refunds and transfers to the commissary fund for fees paid and purchases made by inmates. All other receipts should be deposited to the commissary account and all other disbursements should be made from the commissary account.

Views of Responsible Official and Planned Corrective Action:

County Jailer's Response: Since the canteen account, and inmate money account was at one time combined, there is several checks that has not been cashed. We are currently in the process of calling all inmates that have not attempted to cash their balance refund. We currently, up to the present have called all inmates up until the date 10/17/16. We plan on continuing to contact those inmates that haven't cashed their check so we will be able to move those funds to the canteen account.

2018-003 The Casey County Jailer Did Not Follow Up On All Outstanding Checks In A Timely Manner

This is a repeat finding and was included in the prior year audit report as finding 2017-001. The jailer had numerous outstanding checks dating back to 2008. Also, all uncleared outstanding checks used prior to this date have been sent to the Kentucky State Treasurer as unclaimed property but are still reported on the outstanding check list.

The bookkeeper did not have time to go back and follow up on outstanding checks and contact inmates. Not following up on old outstanding checks can cause the cash balance to be misleading and not show the correct balance.

Effective July 12, 2012, KRS 441.137(1) states, “[f]or any moneys in an inmate account or prisoner canteen account of a jail that are not returned to a prisoner at the time he or she is released from the jail, the jailer shall transmit a check for the balance of the moneys by first class mail to the released prisoner at his or her last known address. If the check is returned as undeliverable, then the jailer shall attempt to contact the prisoner at a telephone number on file, if any, to arrange the return of moneys. If the moneys are not claimed after the jailer fulfills the requirements of this subsection, the moneys shall be presumed abandoned after one (1) year after the date the check is mailed or, if an attempt to call is made, the date of the phone call.” Additionally, KRS 441.137(2) specifies any abandoned moneys as set out in subsection (1) shall be transferred into the canteen account if there are two (2) different accounts, or shall remain in the canteen account and be available for the purposes set out in KRS 441.135.

We recommend the jailer properly account for outstanding checks and maintain adequate documentation to support any voided checks or voided debit card releases paid to inmates to properly report outstanding payments each month. We also recommend the jailer review the resident balances report at least monthly to ensure amounts due inmates are paid upon release from the jail. We further recommend the jailer document any unclaimed inmate money which has been abandoned and added to the funds available for the for the benefit of the inmates in accordance with KRS 441.137.

Views of Responsible Official and Planned Corrective Action:

County Jailer's Response: We are currently in the process of calling all inmates that have not attempted to cash their balance refund. We currently, up to the present have called all inmates up until the date 10/17/2016. We plan on continuing to contact those inmates that haven't cashed their check so we will be able to move those funds to the canteen account.

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

CASEY COUNTY FISCAL COURT

For The Year Ended June 30, 2018

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CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
CASEY COUNTY FISCAL COURT

For The Year Ended June 30, 2018

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

A handwritten signature in blue ink, appearing to read "Randy Sharp", is written over a horizontal line.

County Judge/Executive

A handwritten signature in blue ink, appearing to read "Debra Vaughn", is written over a horizontal line.

County Treasurer