

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

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



**MIKE HARMON  
AUDITOR OF PUBLIC ACCOUNTS  
[www.auditor.ky.gov](http://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**  
**MARION COUNTY FISCAL COURT**

**June 30, 2015**

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

**Financial Condition:**

The Marion County Fiscal Court had total receipts of \$15,120,348 and disbursements of \$14,523,508 in fiscal year 2015. This resulted in a total ending fund balance of \$4,011,588, which is an increase of \$596,840 from the prior year.

**Report Comments:**

- 2015-001 The Marion County Jail Commissary, Inmate Trust, And Bond Funds Lack Adequate Segregation Of Duties
- 2015-002 The Fiscal Court Did Not Comply With Bid Requirements And Bid Files Were Not Properly Maintained

**Deposits:**

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



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**MIKE HARMON**  
**AUDITOR OF PUBLIC ACCOUNTS**

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

**Management's Responsibility for the Financial Statement**

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

**Auditor's Responsibility**

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

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

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



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

As described more fully in Note 1 of the financial statement, the financial statement is prepared by the Marion 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 Marion 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 Marion 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**

#### *Supplementary Information*

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

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



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**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 2, 2016 on our consideration of the Marion 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 Marion County Fiscal Court's internal control over financial reporting and compliance.

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

- 2015-001 The Marion County Jail Commissary, Inmate Trust, And Bond Funds Lack Adequate Segregation Of Duties
- 2015-002 The Fiscal Court Did Not Comply With Bid Requirements And Bid Files Were Not Properly Maintained

Respectfully submitted,



Mike Harmon  
Auditor of Public Accounts

August 2, 2016

MARION COUNTY OFFICIALS

For The Year Ended June 30, 2015

**Fiscal Court Members:**

David R. Daughtery	County Judge/Executive
Larry V. Caldwell	Magistrate
John A. Elder, III	Magistrate
Steve Masterson	Magistrate
Craig Bishop	Magistrate
Jackie Wicker	Magistrate

**Other Elected Officials:**

Lisa Nally-Martin	County Attorney
Barry Brady	Jailer
Chad G. Mattingly	County Clerk
Kim May	Circuit Court Clerk
Jimmy Clements	Sheriff
Terry Rakes	Property Valuation Administrator
Dick Moraja	Coroner

**Appointed Personnel:**

Kevin Cochran	County Treasurer
Melissa Gibson	Finance Officer

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

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

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

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

	<u>Budgeted Funds</u>		
	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>
<b>RECEIPTS</b>			
Taxes	\$ 4,217,026	\$	\$
Excess Fees	62,698		
Licenses and Permits	3,855		
Intergovernmental	288,329	2,714,107	3,649,662
Charges for Services	1,538,644		9,306
Miscellaneous	443,998	19,182	204,707
Interest	4,378	297	157
Total Receipts	<u>6,558,928</u>	<u>2,733,586</u>	<u>3,863,832</u>
<b>DISBURSEMENTS</b>			
General Government	1,267,980		
Protection to Persons and Property	254,750		2,972,253
General Health and Sanitation	1,391,188		
Social Services	147,582		
Recreation and Culture	41,178		
Roads		2,633,641	
Bus Services	21,747		
Debt Service	418,702		407,871
Capital Projects	131,197		
Administration	1,639,838	111,801	779,648
Total Disbursements	<u>5,314,162</u>	<u>2,745,442</u>	<u>4,159,772</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>1,244,766</u>	<u>(11,856)</u>	<u>(295,940)</u>
<b>Other Adjustments to Cash (Uses)</b>			
Transfers From Other Funds	10,871	225,000	300,000
Transfers To Other Funds	(935,000)		
Total Other Adjustments to Cash (Uses)	<u>(924,129)</u>	<u>225,000</u>	<u>300,000</u>
Net Change in Fund Balance	320,637	213,144	4,060
Fund Balance - Beginning (Restated)	2,861,649	279,144	29,859
Fund Balance - Ending	<u>\$ 3,182,286</u>	<u>\$ 492,288</u>	<u>\$ 33,919</u>
<b>Composition of Fund Balance</b>			
Bank Balance	\$ 3,349,969	\$ 629,833	\$ 192,070
Plus: Deposits In Transit	1,500		
Plus: Receivables			
Less: Outstanding Checks	(169,183)	(137,545)	(158,151)
Fund Balance - Ending	<u>\$ 3,182,286</u>	<u>\$ 492,288</u>	<u>\$ 33,919</u>

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

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

<b>Budgeted Funds</b>				
<b>Local Government Economic Assistance Fund</b>	<b>EMS Fund</b>	<b>National Scenic By-Way Fund</b>	<b>Homeland Security Fund</b>	<b>Rescue Squad Fund</b>
\$	\$	\$	\$	\$
54,274	10,000		1,498	
	735,924			
112,000	28,752	1	1	
222	5			20
<u>166,496</u>	<u>774,681</u>	<u>1</u>	<u>1,499</u>	<u>20</u>
111,991				
	934,446		1,522	
978				
	259,290			
<u>112,969</u>	<u>1,193,736</u>		<u>1,522</u>	
53,527	(419,055)	1	(23)	20
	408,500		1,500	
			(1,500)	
	<u>408,500</u>			
53,527	(10,555)	1	(23)	20
140,526	30,228	16,029	158	19,749
<u>\$ 194,053</u>	<u>\$ 19,673</u>	<u>\$ 16,030</u>	<u>\$ 135</u>	<u>\$ 19,769</u>
\$ 194,053	\$ 20,353	\$ 16,030	\$ 1,635	\$ 19,769
	(680)		(1,500)	
<u>\$ 194,053</u>	<u>\$ 19,673</u>	<u>\$ 16,030</u>	<u>\$ 135</u>	<u>\$ 19,769</u>

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

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

	<u>Unbudgeted Funds</u>		
	<u>Public Properties Corporation Fund</u>	<u>Jail Commissary Fund</u>	<u>Total Funds</u>
<b>RECEIPTS</b>			
Taxes	\$	\$	\$ 4,217,026
Excess Fees			62,698
Licenses and Permits			3,855
Intergovernmental	892,463		7,610,333
Charges for Services			2,283,874
Miscellaneous		128,842	937,483
Interest			5,079
Total Receipts	<u>892,463</u>	<u>128,842</u>	<u>15,120,348</u>
<b>DISBURSEMENTS</b>			
General Government			1,379,971
Protection to Persons and Property			4,162,971
General Health and Sanitation			1,391,188
Social Services			147,582
Recreation and Culture		103,442	144,620
Roads			2,633,641
Bus Services			21,747
Debt Service	890,263		1,716,836
Capital Projects			132,175
Administration	2,200		2,792,777
Total Disbursements	<u>892,463</u>	<u>103,442</u>	<u>14,523,508</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		<u>25,400</u>	<u>596,840</u>
<b>Other Adjustments to Cash (Uses)</b>			
Transfers From Other Funds			945,871
Transfers To Other Funds	(9,371)		(945,871)
Total Other Adjustments to Cash (Uses)	<u>(9,371)</u>		<u></u>
Net Change in Fund Balance	(9,371)	25,400	596,840
Fund Balance - Beginning (Restated)	30,112	7,294	3,414,748
Fund Balance - Ending	<u>\$ 20,741</u>	<u>\$ 32,694</u>	<u>\$ 4,011,588</u>
<b>Composition of Fund Balance</b>			
Bank Balance	\$ 20,741	\$ 16,955	\$ 4,461,408
Plus: Deposits In Transit		3,361	4,861
Plus: Receivables		14,711	14,711
Less Outstanding Checks		(2,333)	(469,392)
Ending Fund Balance	<u>\$ 20,741</u>	<u>\$ 32,694</u>	<u>\$ 4,011,588</u>

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

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TO THE FINANCIAL STATEMENT**

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**MARION COUNTY**  
**NOTES TO FINANCIAL STATEMENT**

**June 30, 2015**

**Note 1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

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



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

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Basis of Presentation (Continued)**

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

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

EMS Fund - The primary purpose of this fund is to account for medical services expenses of the county. The primary sources of receipts for this fund are federal and state grants.

National Scenic By-Way-Fund - The primary purpose of this fund is to account for grant funds and related disbursements as they relate to the national scenic by-way project. The primary sources of receipts for this fund are grants from the state and matching contributions from the various counties this by-way runs through.

Homeland Security Fund - The primary purpose of this fund is to account for some emergency equipment expenses of the county. The primary sources of receipts for this fund are federal and state grants.

Rescue Squad Fund - The primary purpose of this fund is to account for rescue squad expenses of the county. The primary sources of receipts for this fund are transfers from the general fund.

**Unbudgeted Funds**

The fiscal court reports the following unbudgeted funds:

Public Properties Corporation Fund - The primary purpose of this fund is to account for the proceeds and debt service of revenue bonds that were issued to fund construction of public buildings.

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. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the jail commissary fund.

**D. Budgetary Information**

Annual budgets are adopted on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board and according to the laws of Kentucky as required by the State Local Finance Officer.

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

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

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Budgetary Information (Continued)**

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

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

The State Local Finance Officer does not require the public properties corporation fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually.

**E. Marion County Elected Officials**

Kentucky law provides for election of the officials listed below from the geographic area constituting Marion 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 Marion 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.

**MARION 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	Homeland Security Fund	Public Properties Corporation Fund	Total Transfers In
General Fund	\$	\$	\$	\$
Road Fund	225,000	1,500	9,371	10,871
Jail Fund	300,000			300,000
EMS Fund	408,500			408,500
Homeland Security Fund	1,500			1,500
<b>Total Transfers Out</b>	<b>\$ 935,000</b>	<b>\$ 1,500</b>	<b>\$ 9,371</b>	<b>\$ 945,871</b>

Reason for transfers:

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

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

**Note 4. Agency Trust Funds**

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

The fiscal court has the following agency trust funds:

Jail Inmate Fund - This fund accounts for funds received from inmates. The balance in the jail inmate fund as of June 30, 2015 was \$48,424.

Jail Inmate Bond Fund - This fund accounts for bond monies held for custodial purposes only until remitted to the proper agencies or individuals. The balance in the jail inmate bond fund as of June 30, 2015 was \$8,368.

**Note 5. Long-term Debt**

**A. Financing Obligation-Marion County Detention Center**

On September 4, 2003, the Marion County Fiscal Court entered into a contract, lease, and option in the amount of \$4,552,935 from the Community Trust Bank, F.S.B. for the purpose of funding the expansion of the Marion County Detention Center. The estimated cost of the expansion was \$1,990,046. The remaining balance of the contract lease and option was used to pay off the financing statement with Community Trust Bank for the original construction. The interest rate is variable and is calculated based on the outstanding principal. Payments are made quarterly. The date of the final maturity of the obligation is May 1, 2018. As of June 30, 2015, the outstanding principal balance was \$1,163,246. Future principal requirements are:

Fiscal Year Ended June 30	Principal
2016	\$ 378,000
2017	398,000
2018	<u>387,246</u>
Totals	<u>\$ 1,163,246</u>

**B. Financing Obligation-Marion County Administration**

On December 16, 2003, the Marion County Fiscal Court entered into a contract, lease, and option in the amount of \$3,500,000 from Farmers National Bank for the purpose of funding the construction of the Marion County administration building. The interest rate is variable and is calculated based on the outstanding principal. Payments are made quarterly. The date of the final maturity of the obligation is November 1, 2023. As of June 30, 2015, the outstanding principal balance was \$1,897,385. Principal payment requirements for the remaining term of the contract are as follows:

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

**Note 5. Long-term Debt (Continued)**

**B. Financing Obligation-Marion County Administration (Continued)**

Fiscal Year Ended June 30	Principal
2016	\$ 195,410
2017	202,850
2018	210,290
2019	217,730
2020	225,170
2021-2024	<u>845,935</u>
Totals	<u>\$ 1,897,385</u>

**C. Financing Obligation-Marion County Administration**

On December 7, 2005, the Marion County Fiscal Court entered into a contract, lease, and option in the amount of \$300,000 from the Kentucky Association of Counties for the purpose of funding the construction of the Marion County Administration Building. The date of the final maturity of the obligation was July 20, 2015. As of June 30, 2015, the outstanding principal balance was \$35,000. Principal payments requirements and scheduled interest for the remaining term of the contract are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2016	\$ 35,000	\$ 164
Totals	<u>\$ 35,000</u>	<u>\$ 164</u>

**D. Financing Obligation-Marion County Administration**

On August 20, 2004, the Marion County Fiscal Court entered into a contract, lease, and option in the amount of \$1,000,000 from Farmers National Bank for the purpose of funding the construction of the Marion County Administration Building. The interest rate is variable and is calculated based on the outstanding principal. Payments are made quarterly. The date of the final maturity of the obligation is November 1, 2023. As of June 30, 2015, the outstanding principal balance was \$542,210. Principal payment requirements for the remaining term of the contract are as follows:

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

**Note 5. Long-term Debt (Continued)**

**D. Financing Obligation-Marion County Administration (Continued)**

Fiscal Year Ended June 30	Principal
2016	\$ 55,950
2017	57,900
2018	60,100
2019	62,000
2020	64,400
2021-2024	<u>241,860</u>
Totals	<u>\$ 542,210</u>

**E. Financing Obligation-Lebanon Department Fire Truck**

On November 5, 2007, the Marion County Fiscal Court entered into a contract, lease, and option in the amount of \$189,000 with the Kentucky Association of Counties for the purpose of funding the purchase of a fire truck by the Lebanon Fire Department at an interest rate of 4.338%. Payments are made monthly. The date of the final maturity of the obligation is July 20, 2022. As of June 30, 2015, the outstanding principal balance was \$119,000. Principal payment requirements and scheduled interest for the remaining term of the contract are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2016	\$ 10,000	\$ 4,829
2017	15,000	4,216
2018	15,000	3,595
2019	15,000	2,974
2020	15,000	2,358
2021-2023	<u>49,000</u>	<u>2,731</u>
Totals	<u>\$ 119,000</u>	<u>\$ 20,703</u>

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

**Note 5. Long-term Debt (Continued)**

**F. First Mortgage Revenue Bond, Series 2009-Marion County Court Building**

On February 1, 2009, the Marion County Public Properties Corporation issued Revenue Bonds, Series 2009 in the amount of \$11,335,000 for the purpose of retiring the Revenue Bond Anticipation Notes Series 2007 and fund the construction of the Marion County Court Building at a variable interest rate. Payments are made semi-annually. The date of the final maturity of the obligation is March 1, 2029. As of June 30, 2015, the outstanding principal balance was \$9,050,000. Principal payment requirements and scheduled interest for the remaining term of the notes are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2016	\$ 500,000	\$ 390,712
2017	515,000	375,712
2018	530,000	358,975
2019	550,000	340,425
2020	570,000	318,425
2021-2025	3,230,000	1,214,313
2026-2029	3,155,000	397,813
Totals	<u>\$ 9,050,000</u>	<u>\$ 3,396,375</u>

**G. Financing Obligation-Central Kentucky Community Action, Inc. Building**

On May 5, 2008, the Marion County Fiscal Court entered into a contract, lease, and option in the amount of \$495,000 with the Kentucky Association of Counties for the purpose of funding the purchase of an office building by Central Kentucky Community Action Council, Inc. at an interest rate of 4.501%. Payments are made monthly. The date of the final maturity of the obligation is April 20, 2028. As of June 30, 2015, the outstanding principal balance was \$364,609. Principal payment requirements and scheduled interest for the remaining term of the contract are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2016	\$ 21,659	\$ 17,258
2017	22,626	14,978
2018	23,636	13,963
2019	24,691	12,896
2020	25,793	11,778
2021-2025	147,298	40,553
2026-2028	98,906	7,481
Totals	<u>\$ 364,609</u>	<u>\$ 118,907</u>

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

**Note 5. Long-term Debt (Continued)**

**H. Financing Obligation-Rescue Squad Vehicle**

On August 4, 2008, the Marion County Fiscal Court entered into a contract, lease, and option in the amount of \$67,000 with the Kentucky Association of Counties for the purpose of funding the purchase of a rescue vehicle by the Marion County Rescue Squad at a variable rate of interest. Payments are made monthly. The date of the final maturity of the obligation is July 20, 2015. As of June 30, 2015, the outstanding principal balance was \$7,000. Principal payment requirements and scheduled interest for the remaining term of the contract are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2016	\$ 7,000	\$ 43
Totals	<u>\$ 7,000</u>	<u>\$ 43</u>

**I. Financing Obligation-City of Bradfordsville Fire Department Tanker Truck**

On May 21, 2013, the Marion County Fiscal Court entered into a contract, lease, and option in the amount of \$166,022 with Peoples Bank for the purpose of funding the purchase of tanker truck purchased by the City of Bradfordsville's Fire Department at an interest rate of 4%. Payments are made monthly. The date of the final maturity of the obligation is May 21, 2028. As of June 30, 2015, the outstanding principal balance was \$161,015. Principal payment requirements and scheduled interest for the remaining term of the contract are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2016	\$ 9,670	\$ 6,369
2017	10,087	5,953
2018	10,504	5,536
2019	10,938	5,102
2020	11,377	4,662
2021-2025	64,397	15,799
2026-2028	44,042	2,734
Totals	<u>\$ 161,015</u>	<u>\$ 46,155</u>

**J. Financing Obligation-Marion County Detention Center Retractable Roof**

On November 24, 2010, the Marion County Fiscal Court entered into a contract, lease, and option in the amount of \$110,000 with the Kentucky Association of Counties for the purpose of funding the purchase of a retractable roof at the Marion County Detention Center at a variable rate of interest with monthly payments. The date of the final maturity of the obligation is November 20, 2020. As of June 30, 2015, the outstanding principal balance was \$59,583. Principal payment requirements and schedule interest for the remaining term of the contract are as follows:



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

**Note 5. Long-term Debt (Continued)**

**J. Financing Obligation-Marion County Detention Center Retractable Roof (Continued)**

Fiscal Year Ended June 30	Principal	Scheduled Interest
2016	\$ 11,000	\$ 2,508
2017	11,000	1,998
2018	11,000	1,493
2019	11,000	989
2020	11,000	485
2021	4,583	53
Totals	<u>\$ 59,583</u>	<u>\$ 7,526</u>

**K. Changes In Long-term Debt**

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds	\$ 9,535,000	\$	\$ 485,000	\$ 9,050,000	\$ 500,000
Financing Obligations	5,046,701		697,653	4,349,048	723,689
Total Long-term Debt	<u>\$ 14,581,701</u>	<u>\$ 0</u>	<u>\$ 1,182,653</u>	<u>\$ 13,399,048</u>	<u>\$ 1,223,689</u>

**Note 6. Employee Retirement System**

**A. Plan Description**

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

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

**Note 6. Employee Retirement System (Continued)**

**A. Plan Description (Continued)**

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 \$651,559 FY 2014 was \$784,215 and FY 2015 was \$682,016.

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

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

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

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

<b>Years of Service</b>	<b>% paid by Insurance Fund</b>	<b>% Paid by Member through Payroll Deduction</b>
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.

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

**Note 6. Employee Retirement System (Continued)**

**A. Plan Description (Continued)**

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

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, Marion 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	\$ 857,000	\$ 767,000
Non-Hazardous	<u>5,580,000</u>	<u>4,932,000</u>
Totals	<u>\$ 6,437,000</u>	<u>\$ 5,699,000</u>

The complete actuarial valuation report including all actuarial assumptions and methods is publicly available on the website at [www.kyret.ky.gov](http://www.kyret.ky.gov) or can be obtained as described in the paragraph above.

**Note 7. Deferred Compensation**

On February 24, 2000, the Marion County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

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

**Note 7. Deferred Compensation (Continued)**

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

**Note 8. Health Reimbursement Account**

The Marion County Fiscal Court established a health reimbursement account on January 1, 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 debit card to each eligible employee providing \$1,600 each year for a single plan and \$3,200 for all other upgraded plans to pay for qualified medical expenses.

**Note 9. Insurance**

For the fiscal year ended June 30, 2015, Marion 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 10. Construction/Demolition Debris Landfill**

Marion County has a less-than one acre construction/demolition debris landfill. The fiscal court has entered into a lease agreement for the land. The lease payment is \$25,000 a year. Closure of the landfill is estimated to occur in one year. Marion County Fiscal Court is not required to set up a fund for post closure costs. The closure requirements are that the landfill shall be covered with soil cap two feet thick within 30 days of ceasing to accept waste, and grass seed must be sowed.

**Note 11. Prior Period Adjustments**

Beginning balances of the general fund, rescue squad fund and public properties corporation fund were restated as noted below:

	<u>General Fund</u>
Fund Balance-Beginning	\$ 2,962,413
Less: Payroll Social Security Revolving Account Balance	(21,752)
Less: Payroll Revolving Account Balance	(59,286)
Rescue Squad Account Balance	<u>(19,726)</u>
Fund Balance-Beginning (Restated)	<u>\$ 2,861,649</u>

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

**Note 11. Prior Period Adjustments (Continued)**

	Rescue Squad Fund
Fund Balance-Beginning	\$
Add: Reclassified Balance From General Fund In The Prior Year Audit	19,749
Fund Balance-Beginning (Restated)	<u>\$ 19,749</u>
	Public Properties Corporation Fund
Fund Balance-Beginning	\$ 9,371
Add: Account Balance Not Included In Prior Year	20,741
Fund Balance-Beginning (Restated)	<u>\$ 30,112</u>

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**MARION COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**

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





**MARION COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**

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

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 3,436,000	\$ 3,436,000	\$ 4,217,026	\$ 781,026
Excess Fees			62,698	62,698
Licenses and Permits	4,500	4,500	3,855	(645)
Intergovernmental	335,500	335,500	288,329	(47,171)
Charges for Services	1,410,000	1,410,000	1,538,644	128,644
Miscellaneous	136,000	286,000	443,998	157,998
Interest	4,000	34,945	4,378	(30,567)
Total Receipts	<u>5,326,000</u>	<u>5,506,945</u>	<u>6,558,928</u>	<u>1,051,983</u>
<b>DISBURSEMENTS</b>				
General Government	1,236,500	1,338,200	1,267,980	70,220
Protection to Persons and Property	364,600	365,100	254,750	110,350
General Health and Sanitation	1,401,100	1,521,600	1,391,188	130,412
Social Services	126,000	196,000	147,582	48,418
Recreation and Culture	55,000	55,000	41,178	13,822
Bus Service	30,000	30,000	21,747	8,253
Debt Service	435,500	435,500	418,702	16,798
Capital Projects	59,000	179,000	131,197	47,803
Administration	2,963,700	2,731,945	1,639,838	1,092,107
Total Disbursements	<u>6,671,400</u>	<u>6,852,345</u>	<u>5,314,162</u>	<u>1,538,183</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,345,400)</u>	<u>(1,345,400)</u>	<u>1,244,766</u>	<u>2,590,166</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds			10,871	10,871
Transfers To Other Funds	(1,029,600)	(1,029,600)	(935,000)	94,600
Total Other Adjustments to Cash (Uses)	<u>(1,029,600)</u>	<u>(1,029,600)</u>	<u>(924,129)</u>	<u>105,471</u>
Net Change in Fund Balance	(2,375,000)	(2,375,000)	320,637	2,695,637
Fund Balance Beginning (Restated)	<u>2,375,000</u>	<u>2,375,000</u>	<u>2,861,649</u>	<u>486,649</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,182,286</u>	<u>\$ 3,182,286</u>

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

	<b>ROAD FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 2,992,000	\$ 2,992,000	\$ 2,714,107	\$ (277,893)
Miscellaneous	8,800	8,800	19,182	10,382
Interest	200	200	297	97
Total Receipts	<u>3,001,000</u>	<u>3,001,000</u>	<u>2,733,586</u>	<u>(267,414)</u>
<b>DISBURSEMENTS</b>				
Roads	3,237,200	3,237,200	2,633,641	603,559
Administration	160,800	160,800	111,801	48,999
Total Disbursements	<u>3,398,000</u>	<u>3,398,000</u>	<u>2,745,442</u>	<u>652,558</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(397,000)</u>	<u>(397,000)</u>	<u>(11,856)</u>	<u>385,144</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	200,000	200,000	225,000	25,000
Transfers To Other Funds	200,000	200,000	225,000	25,000
Total Other Adjustments to Cash (Uses)	<u>200,000</u>	<u>200,000</u>	<u>225,000</u>	<u>25,000</u>
Net Change in Fund Balance	(197,000)	(197,000)	213,144	410,144
Fund Balance Beginning	<u>197,000</u>	<u>197,000</u>	<u>279,144</u>	<u>82,144</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 492,288</u>	<u>\$ 492,288</u>

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

	<b>JAIL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 3,744,900	\$ 3,744,900	\$ 3,649,662	\$ (95,238)
Charges for Services	8,000	8,000	9,306	1,306
Miscellaneous	197,000	197,000	204,707	7,707
Interest	1,000	1,000	157	(843)
Total Receipts	<u>3,950,900</u>	<u>3,950,900</u>	<u>3,863,832</u>	<u>(87,068)</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	3,100,100	3,136,000	2,972,253	163,747
Debt Service	418,000	418,000	407,871	10,129
Administration	832,400	796,500	779,648	16,852
Total Disbursements	<u>4,350,500</u>	<u>4,350,500</u>	<u>4,159,772</u>	<u>16,852</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(399,600)</u>	<u>(399,600)</u>	<u>(295,940)</u>	<u>(70,216)</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	<u>310,600</u>	<u>310,600</u>	<u>300,000</u>	<u>(10,600)</u>
Total Other Adjustments to Cash (Uses)	<u>310,600</u>	<u>310,600</u>	<u>300,000</u>	<u>(10,600)</u>
Net Change in Fund Balance	(89,000)	(89,000)	4,060	93,060
Fund Balance Beginning	<u>89,000</u>	<u>89,000</u>	<u>29,859</u>	<u>(59,141)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 33,919</u>	<u>\$ 33,919</u>

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

**LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 45,000	\$ 45,000	\$ 54,274	\$ 9,274
Miscellaneous		112,000	112,000	
Interest	100	100	222	122
Total Receipts	<u>45,100</u>	<u>157,100</u>	<u>166,496</u>	<u>9,396</u>
<b>DISBURSEMENTS</b>				
General Government		112,000	111,991	9
Protection to Persons and Property	84,600	84,600		84,600
Administration	100,500	100,500	978	99,522
Total Disbursements	<u>185,100</u>	<u>297,100</u>	<u>112,969</u>	<u>184,131</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(140,000)</u>	<u>(140,000)</u>	<u>53,527</u>	<u>193,527</u>
Net Change in Fund Balance	(140,000)	(140,000)	53,527	193,527
Fund Balance Beginning	<u>140,000</u>	<u>140,000</u>	<u>140,526</u>	<u>526</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 194,053</u>	<u>\$ 194,053</u>

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

	<b>EMS FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 10,000	\$ 10,000	\$ 10,000	\$
Charge for Services	600,000	650,000	735,924	85,924
Miscellaneous	11,000	39,000	28,752	(10,248)
Interest			5	5
Total Receipts	<u>621,000</u>	<u>699,000</u>	<u>774,681</u>	<u>75,681</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	888,500	937,000	934,446	2,554
Administration	266,500	296,000	259,290	36,710
Total Disbursements	<u>1,155,000</u>	<u>1,233,000</u>	<u>1,193,736</u>	<u>39,264</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(534,000)</u>	<u>(534,000)</u>	<u>(419,055)</u>	<u>114,945</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	<u>519,000</u>	<u>519,000</u>	<u>408,500</u>	<u>(110,500)</u>
Total Other Adjustments to Cash (Uses)	<u>519,000</u>	<u>519,000</u>	<u>408,500</u>	<u>(110,500)</u>
Net Change in Fund Balance	(15,000)	(15,000)	(10,555)	4,445
Fund Balance Beginning	<u>15,000</u>	<u>15,000</u>	<u>30,228</u>	<u>15,228</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 19,673</u>	<u>\$ 19,673</u>

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

	<b>NATIONAL SCENIC BY-WAY FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 84,000	\$ 84,000	\$	\$ (84,000)
Total Receipts	<u>84,000</u>	<u>84,000</u>	<u>1</u>	<u>(83,999)</u>
<b>DISBURSEMENTS</b>				
Administration	100,000	100,000		100,000
Total Disbursements	<u>100,000</u>	<u>100,000</u>		<u>100,000</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(16,000)</u>	<u>(16,000)</u>	<u>1</u>	<u>16,001</u>
Net Change in Fund Balance	(16,000)	(16,000)	1	16,001
Fund Balance Beginning	<u>16,000</u>	<u>16,000</u>	<u>16,029</u>	<u>29</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 16,030</u>	<u>\$ 16,030</u>

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

<b>HOMELAND SECURITY FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$	\$ 5,100	\$ 1,498	\$ (3,602)
Miscellaneous			1	1
Total Receipts		5,100	1,499	(3,601)
<b>DISBURSEMENTS</b>				
Protection to Persons and Property		5,100	1,522	3,578
Total Disbursements		5,100	1,522	3,578
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			(23)	(23)
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds			1,500	1,500
Transfers To Other Funds			(1,500)	(1,500)
Total Other Adjustments to Cash (Uses)				
Net Change in Fund Balance			(23)	(23)
Fund Balance Beginning			158	158
Fund Balance - Ending	\$ 0	\$ 0	\$ 135	\$ 135

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

	<b>RESCUE SQUAD FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Interest	\$ 25	\$ 25	\$ 20	\$ (5)
Total Receipts	<u>25</u>	<u>25</u>	<u>20</u>	<u>(5)</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	19,750	19,750		19,750
Total Disbursements	<u>19,750</u>	<u>19,750</u>		<u>19,750</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(19,725)</u>	<u>(19,725)</u>	20	19,745
Net Change in Fund Balance	(19,725)	(19,725)	20	19,745
Fund Balance Beginning (Restated)	<u>19,725</u>	<u>19,725</u>	<u>19,749</u>	<u>24</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 19,769</u>	<u>\$ 19,769</u>



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

**June 30, 2015**

**Note 1. Budgetary Information**

Annual budgets are adopted on a regulatory basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board and according to the laws of Kentucky as required by the State Local Finance Officer.

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

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

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**MARION COUNTY  
SUPPLEMENTARY SCHEDULE  
Supplementary Information - Regulatory Basis**

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



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

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

The fiscal court reports the following schedule of capital assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 417,000	\$	\$	\$ 417,000
Buildings	28,814,883			28,814,883
Land and Building Improvements	62,728			62,728
Equipment	2,840,632			2,840,632
Vehicles	3,201,326	202,234	21,000	3,382,560
Infrastructure	10,133,007	1,622,835		11,755,842
 Total Capital Assets	 <u>\$ 45,469,576</u>	 <u>\$ 1,825,069</u>	 <u>\$ 21,000</u>	 <u>\$ 47,273,645</u>

**MARION 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	All	10-60
Buildings and Building Improvements	\$ 10,000	10-75
Equipment	\$ 1,000	3-25
Vehicles	\$ 5,000	3-25
Infrastructure	\$ 20,000	12-25

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







MIKE HARMON  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable David R. Daugherty, Marion County Judge/Executive  
Members of the Marion 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 Marion County Fiscal Court for the fiscal year ended June 30, 2015, and the related notes to the financial statement which collectively comprise the Marion County Fiscal Court's financial statement and have issued our report thereon dated August 2, 2016.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, which is described in the accompanying comments and recommendations as item 2015-001 that we consider to be a significant deficiency.



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 Marion County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying comments and recommendations as item 2015-002.

### **County Judge/Executive's and Jailer's Responses to Findings**

The Marion County Judge/Executive's and Jailer's responses to the findings identified in our audit are included in the accompanying comments and recommendations. The Marion County Judge/Executive's and Jailer'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

August 2, 2016

**MARION COUNTY  
COMMENTS AND RECOMMENDATIONS**

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



**MARION COUNTY**  
**COMMENTS AND RECOMMENDATIONS**

**Fiscal Year Ended June 30, 2015**

INTERNAL CONTROL - SIGNIFICANT DEFICIENCY:

2015-001    The Marion County Jail Commissary, Inmate Trust, And Bond Funds Lack Adequate Segregation Of Duties

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The Marion County Detention Center lacks segregation of duties over all jail commissary funds and their accounting functions. The bookkeeper receives the mail, prepares and deposits the receipts, and writes checks. If one employee is solely responsible for the receipt, disbursement, the reconciling process, and reporting, the risk of misappropriation of assets and inaccurate financial reporting increases.

Good internal controls dictate adequate segregation of duties to prevent the same person from having complete control in the receiving, recording, disbursement, and reporting of funds. A strong internal control structure includes adequate segregation of duties or strong compensating controls to offset the risk caused by the lack of segregation of duties. Without proper segregation or strong compensating controls, the jailer cannot ensure all receipts and disbursements are properly recorded and accounted for.

We recommend the jailer separate the duties of preparing and depositing receipts, recording transactions, preparing checks, and reconciling bank accounts. If these duties cannot be segregated due to limited number of staff or budget, strong oversight should be provided over the employee responsible for these duties. Any compensating controls performed should be documented.

*County Judge/Executive's Response: The county judge/executive did not respond.*

*County Jailer's Response: Effective 8-1-2016 the Marion County Detention Center will implement double signatures on all deposits and reconciliations done by the commissary department to ensure a better control over more frequently made deposits, and to ensure all reconciliations are done in a timely manner.*

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

STATE LAWS AND REGULATIONS:

2015-002 The Fiscal Court Did Not Comply With Bid Requirements And Bid Files Were Not Properly Maintained

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The fiscal court purchased culverts from one vendor exceeding \$20,000 in total that were not properly bid. Three checks were written on May 22, 2015, to one vendor each in the amount of \$19,900, just below bid requirement, for a total of \$59,700. The county administrative code documents the county's procedures for purchases that exceed \$20,000. Those procedures require advertisement for bids, public opening of bids and documentation and approval of bid selection. In addition, the county did not maintain bid files for one vendor (two separate bids), and multiple bid files were incomplete and did not include the proper documentation.

Insufficient records and management oversight resulted in noncompliance with state regulations over the bid process. By not following required bid procedures, purchases could be made that would result in the county not receiving the best price for the equipment or service.

KRS 424.260(1) states, "[e]xcept where a statute specifically fixes a larger sum as the minimum for a requirement of advertisement for bids, no city, county, or district, or board or commission of a city or county, or sheriff or county clerk, may make a contract, lease, or other agreement for materials, supplies except for perishable meat, fish, and vegetables, equipment, or for contractual services other than professional, involving an expenditure of more than twenty thousand dollars (\$20,000) without first making newspaper advertisement for bids."

The county's administrative code, section 8.2, dictates the county should maintain all bid files that include the following documentation: specifications and quantities desired, newspaper advertisement, proposal/estimate, sealed envelope, and any other documentation in relation to that particular bid.

We recommend the fiscal court comply with KRS 424.260(1) by advertising for bids for purchases exceeding \$20,000 and follow the county administrative code for documentation of selection of a winning bidder for each project or contract. The fiscal court should maintain all bid files that include the proper documentation.

*County Judge/Executive's Response: Marion County Fiscal Court will advertise for and accept bids on all purchases that exceed \$20,000. Also, Marion County Fiscal Court has already begun keeping bid folders with all documentation included and will continue going forward.*

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

**MARION COUNTY FISCAL COURT**

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

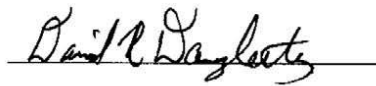




CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE  
MARION COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2015

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



County Judge/Executive



County Treasurer

