

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

**For The Year Ended  
June 30, 2017**



**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**



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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 Tommy Willett, Monroe County Judge/Executive  
Members of the Monroe 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 Monroe County Fiscal Court, for the year ended June 30, 2017, and the related notes to the financial statement which collectively comprise the Monroe 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 Monroe 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 Monroe County Fiscal Court as of June 30, 2017, 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 Monroe County Fiscal Court as of June 30, 2017, 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 Monroe County Fiscal Court. The Budgetary Comparison Schedules and Capital Asset Schedule are presented for purposes of additional analysis and are not a required part of the financial statement; however, they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

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

To the People of Kentucky  
The Honorable Matthew G. Bevin, Governor  
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Finance and Administration Cabinet  
The Honorable Tommy Willett, Monroe County Judge/Executive  
Members of the Monroe County Fiscal Court

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2018, on our consideration of the Monroe 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 Monroe 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 finding:

2017-001 The Monroe County Jail Commissary Lacked Adequate Segregation Of Duties Over All Accounting Functions

Respectfully submitted,

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

Mike Harmon  
Auditor of Public Accounts

May 2, 2018

**MONROE COUNTY OFFICIALS****For The Year Ended June 30, 2017****Fiscal Court Members:**

Tommy Willett	County Judge/Executive
Alonzo Ford	Magistrate
Roger Deckard	Magistrate
Ricky Bartley	Magistrate
Mitchell Page	Magistrate
Karen Gordon	Magistrate

**Other Elected Officials:**

Wesley Stephens	County Attorney
Elmer Doyle Fox	Jailer
Teresa Sheffield	County Clerk
Joyce Emberton	Circuit Court Clerk
Roger Dale Ford	Sheriff
Louis L. Carter	Property Valuation Administrator
Jackie Walden	Coroner

**Appointed Personnel:**

Sheryl Conkin	County Treasurer
Sheila Sheffield	Finance Officer
Beverly Harper	Occupational Tax Administrator



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

**For The Year Ended June 30, 2017**

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

**For The Year Ended June 30, 2017**

	<u>Budgeted Funds</u>		
	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>
<b>RECEIPTS</b>			
Taxes	\$ 1,585,526	\$	\$
In Lieu Tax Payments	74,554		
Excess Fees	91,685		
Licenses and Permits	17,784		
Intergovernmental	319,350	1,365,778	82,393
Charges for Services			7,401
Miscellaneous	241,921	1,638	2,125
Interest	4,554	2,838	59
Total Receipts	<u>2,335,374</u>	<u>1,370,254</u>	<u>91,978</u>
<b>DISBURSEMENTS</b>			
General Government	988,078		
Protection to Persons and Property	181,930		527,759
General Health and Sanitation	6,793		
Social Services	10,457		
Recreation and Culture	13,715		
Roads		1,104,785	
Airports			
Debt Service			
Capital Projects		19,368	
Administration	519,857	63,052	60,411
Total Disbursements	<u>1,720,830</u>	<u>1,187,205</u>	<u>588,170</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>614,544</u>	<u>183,049</u>	<u>(496,192)</u>
<b>Other Adjustments to Cash (Uses)</b>			
Bond Proceeds			
Bond Premium			
Underwriter's Discount			
Deposited With Paying Agent			
Transfers From Other Funds	2,077		508,000
Transfers To Other Funds	(508,000)		
Total Other Adjustments to Cash (Uses)	<u>(505,923)</u>		<u>508,000</u>
Net Change in Fund Balance	108,621	183,049	11,808
Fund Balance - Beginning (Restated)	1,709,203	957,053	19,073
Fund Balance - Ending	<u>\$ 1,817,824</u>	<u>\$ 1,140,102</u>	<u>\$ 30,881</u>
<b>Composition of Fund Balance</b>			
Bank Balance	\$ 1,825,353	\$ 1,145,915	\$ 73,560
Less: Outstanding Checks	(7,529)	(5,813)	(42,679)
Fund Balance - Ending	<u>\$ 1,817,824</u>	<u>\$ 1,140,102</u>	<u>\$ 30,881</u>

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

**MONROE COUNTY**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES**  
**IN FUND BALANCES - REGULATORY BASIS**  
**For The Year Ended June 30, 2017**  
**(Continued)**

<u>Budgeted Funds</u>		<u>Unbudgeted Funds</u>		
<u>Local Government Economic Assistance Fund</u>	<u>Grant Fund</u>	<u>Public Properties Corporation Fund</u>	<u>Jail Commissary Fund</u>	<u>Total Funds</u>
\$	\$	\$	\$	\$ 1,585,526
				74,554
				91,685
				17,784
29,968	248,747	717,243		2,763,479
				7,401
300			3,581	249,565
193		513	1	8,158
<u>30,461</u>	<u>248,747</u>	<u>717,756</u>	<u>3,582</u>	<u>4,798,152</u>
5,500				993,578
30,737	5,150			745,576
				6,793
				10,457
			19,280	32,995
				1,104,785
3,000				3,000
		767,956		767,956
	241,553			260,921
				643,320
<u>39,237</u>	<u>246,703</u>	<u>767,956</u>	<u>19,280</u>	<u>4,569,381</u>
(8,776)	2,044	(50,200)	(15,698)	228,771
		4,760,000		4,760,000
		281,500		281,500
		(73,780)		(73,780)
		(4,912,450)		(4,912,450)
				510,077
	(2,047)		(30)	(510,077)
	<u>(2,047)</u>	<u>55,270</u>	<u>(30)</u>	<u>55,270</u>
(8,776)	(3)	5,070	(15,728)	284,041
98,486	3	129,996	15,728	2,929,542
<u>\$ 89,710</u>	<u>\$ 0</u>	<u>\$ 135,066</u>	<u>\$ 0</u>	<u>\$ 3,213,583</u>
\$ 89,710	\$	\$ 135,066	\$	\$ 3,269,604
				(56,021)
<u>\$ 89,710</u>	<u>\$ 0</u>	<u>\$ 135,066</u>	<u>\$ 0</u>	<u>\$ 3,213,583</u>

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

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**MONROE COUNTY  
NOTES TO FINANCIAL STATEMENT**

**June 30, 2017**

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

**A. Reporting Entity**

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

The Monroe County Fire and Rescue Squad and Monroe County Recreation, Tourist, and Convention Commission would have been included in the reporting entity under accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. However, under the regulatory basis they are no longer are required components of the reporting entity.

**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.

**MONROE COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2017**  
**(Continued)**

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

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

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

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

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.

Grant 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.

**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. 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(1). 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 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.

**MONROE COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2017**  
**(Continued)**

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

**D. Budgetary Information (Continued)**

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.

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.

**E. Monroe County Elected Officials**

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

**MONROE COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2017**  
**(Continued)**

**Note 2. Deposits and Investments**

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, 2017, 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 2017.

	General Fund	Grant Fund	Jail Commissary Fund	Total Transfers In
General Fund	\$	\$ 2,047	\$ 30	\$ 2,077
Jail Fund	508,000			508,000
Total Transfers Out	<u>\$ 508,000</u>	<u>\$ 2,047</u>	<u>\$ 30</u>	<u>\$ 510,077</u>

Reason for transfers:

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

**Note 4. Long-term Debt**

**A. First Mortgage Revenue Bonds, Series 2009**

On December 1, 2009, the Monroe County Public Properties Corporation issued revenue bonds of \$10,005,000 to pay off the 2008 Series notes, which were originally issued for the purpose of constructing a judicial center, and to further the construction of the judicial center. On November 17, 2016, the corporation issued First Mortgage Refunding Revenue Bonds, Series 2016 which defeased a portion of the series 2009 bonds. The non-refunded principal is payable annually on November 1, with the final payment being due on November 1, 2028. Interest is payable semi-annually on May 1 and November 1 of each year at varying rates from 4 percent to 4.25 percent. As of June 30, 2017, the outstanding principal balance was 2,530,000. Future principal and interest requirements are:



**MONROE COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2017**  
**(Continued)**

**Note 4. Long-term Debt (Continued)**

**A. First Mortgage Revenue Bonds, Series 2009 (Continued)**

Fiscal Year Ended June 30	Principal	Scheduled Interest
2018	\$ 470,000	\$ 83,765
2019	485,000	68,478
2020	505,000	51,638
2021	525,000	32,300
2022	545,000	10,900
Totals	<u>\$ 2,530,000</u>	<u>\$ 247,081</u>

**B. First Mortgage Refunding Revenue Bonds, Series 2016**

On November 17, 2016, the Monroe County Public Properties Corporation issued \$4,760,000 of First Mortgage Refunding Revenue Bonds to advance refund a portion of the series 2009 bonds, which were originally issued for the construction of the judicial center. Principal payments are due on November 1 and interest is payable semi-annually on May 1 and November 1 at a rate of 3 percent. As of June 30, 2017, the outstanding principal balance was \$4,760,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2018	\$	\$ 142,800
2019		142,800
2020	25,000	142,425
2021	40,000	141,450
2022	40,000	140,250
2023-2027	3,225,000	462,375
2028-2029	1,430,000	43,200
Totals	<u>\$ 4,760,000</u>	<u>\$ 1,215,300</u>

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

Long-term Debt activity for the year ended June 30, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds	<u>\$ 7,485,000</u>	<u>\$ 4,760,000</u>	<u>\$ 4,955,000</u>	<u>\$ 7,290,000</u>	<u>\$ 470,000</u>
Total Long-term Debt	<u>\$ 7,485,000</u>	<u>\$ 4,760,000</u>	<u>\$ 4,955,000</u>	<u>\$ 7,290,000</u>	<u>\$ 470,000</u>

**MONROE COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2017**  
**(Continued)**

**Note 5. 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 2015 was \$160,652, FY 2016 was \$163,286, and FY 2017 was \$170,362.

Nonhazardous

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 be allocated as follows: five percent will go to the member's account and one 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 five percent of their annual creditable compensation. Nonhazardous members also contribute 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 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 four 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 18.68 percent.

Health Insurance Coverage

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:

**MONROE COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2017**  
**(Continued)**

**Note 5. Employee Retirement System (Continued)**

Health Insurance Coverage (Continued)

<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.

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 a proportionate share audit report that includes the total pension liability for CERS determined by actuarial valuation as well as each participating county's proportionate share. The Schedules of Employer Allocations and Pension Amounts by Employer report and the related actuarial tables are available online at <https://kyret.ky.gov/Employers/Resources/Pages/GASB.aspx>. 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 6. Insurance**

For the fiscal year ended June 30, 2017, the Monroe 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 7. Jail Commissary**

On August 18, 2016, the Monroe County Fiscal Court voted to close the Monroe County Jail effective August 31, 2016. The closure was a result of financial reasons and not being able to sufficiently staff the jail in order to comply with requirements of the Department of Corrections.

**MONROE COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2017**  
**(Continued)**

**Note 8. Prior Period Adjustment**

The beginning fund balance reported on the *Statement of Receipts, Disbursements, and Changes in Fund Balances – Regulatory Basis* for the jail commissary fund has been restated by \$1,657. The restatement is due to voided prior year outstanding checks of \$34 and the timing difference in recording \$1,691 of jail fees paid to the fiscal court, for a net total of \$1,657.

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

**For The Year Ended June 30, 2017**

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

**For The Year Ended June 30, 2017**

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 1,363,000	\$ 1,363,000	\$ 1,585,526	\$ 222,526
In Lieu Tax Payments	50,000	50,000	74,554	24,554
Excess Fees	40,000	40,000	91,685	51,685
Licenses and Permits	18,050	18,050	17,784	(266)
Intergovernmental	263,375	263,375	319,350	55,975
Miscellaneous	15,000	94,878	241,921	147,043
Interest	1,100	1,100	4,554	3,454
Total Receipts	<u>1,750,525</u>	<u>1,830,403</u>	<u>2,335,374</u>	<u>504,971</u>
<b>DISBURSEMENTS</b>				
General Government	946,014	1,048,706	988,078	60,628
Protection to Persons and Property	185,490	196,392	181,930	14,462
General Health and Sanitation	11,745	10,349	6,793	3,556
Social Services	17,000	17,196	10,457	6,739
Recreation and Culture	12,800	13,764	13,715	49
Administration	579,923	546,443	519,857	26,586
Total Disbursements	<u>1,752,972</u>	<u>1,832,850</u>	<u>1,720,830</u>	<u>112,020</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(2,447)</u>	<u>(2,447)</u>	<u>614,544</u>	<u>616,991</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds			2,077	2,077
Transfers To Other Funds	<u>(557,553)</u>	<u>(557,553)</u>	<u>(508,000)</u>	<u>49,553</u>
Total Other Adjustments to Cash (Uses)	<u>(557,553)</u>	<u>(557,553)</u>	<u>(505,923)</u>	<u>51,630</u>
Net Change in Fund Balance	(560,000)	(560,000)	108,621	668,621
Fund Balance - Beginning	<u>560,000</u>	<u>560,000</u>	<u>1,709,203</u>	<u>1,149,203</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,817,824</u>	<u>\$ 1,817,824</u>

**MONROE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2017**  
**(Continued)**

	<b>ROAD FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 1,295,708	\$ 1,295,708	\$ 1,365,778	\$ 70,070
Miscellaneous	23,000	23,000	1,638	(21,362)
Interest	1,000	1,000	2,838	1,838
Total Receipts	<u>1,319,708</u>	<u>1,319,708</u>	<u>1,370,254</u>	<u>50,546</u>
<b>DISBURSEMENTS</b>				
Roads	1,219,308	1,199,670	1,104,785	94,885
Capital Projects		19,638	19,368	270
Administration	100,400	100,400	63,052	37,348
Total Disbursements	<u>1,319,708</u>	<u>1,319,708</u>	<u>1,187,205</u>	<u>132,503</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			<u>183,049</u>	<u>183,049</u>
Net Change in Fund Balance			183,049	183,049
Fund Balance - Beginning			<u>957,053</u>	<u>957,053</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,140,102</u>	<u>\$ 1,140,102</u>



**MONROE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2017**  
**(Continued)**

	<b>JAIL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 105,500	\$ 105,500	\$ 82,393	\$ (23,107)
Charges for Services	11,000	11,000	7,401	(3,599)
Miscellaneous	10,000	10,000	2,125	(7,875)
Interest			59	59
Total Receipts	<u>126,500</u>	<u>126,500</u>	<u>91,978</u>	<u>(34,522)</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	556,003	556,003	527,759	28,244
Administration	128,050	128,050	60,411	67,639
Total Disbursements	<u>684,053</u>	<u>684,053</u>	<u>588,170</u>	<u>95,883</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(557,553)</u>	<u>(557,553)</u>	<u>(496,192)</u>	<u>61,361</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	557,553	557,553	508,000	(49,553)
Total Other Adjustments to Cash (Uses)	<u>557,553</u>	<u>557,553</u>	<u>508,000</u>	<u>(49,553)</u>
Net Change in Fund Balance			11,808	11,808
Fund Balance - Beginning			<u>19,073</u>	<u>19,073</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 30,881</u>	<u>\$ 30,881</u>

**MONROE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2017**  
**(Continued)**

**LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND**

	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>RECEIPTS</b>				
Intergovernmental	\$ 20,000	\$ 20,000	\$ 29,968	\$ 9,968
Miscellaneous			300	300
Interest			193	193
Total Receipts	<u>20,000</u>	<u>20,000</u>	<u>30,461</u>	<u>10,461</u>
<b>DISBURSEMENTS</b>				
General Government	10,000	10,000	5,500	4,500
Protection to Persons and Property	37,000	37,000	30,737	6,263
Airports	3,000	3,000	3,000	
Total Disbursements	<u>50,000</u>	<u>50,000</u>	<u>39,237</u>	<u>10,763</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(30,000)</u>	<u>(30,000)</u>	<u>(8,776)</u>	<u>21,224</u>
Net Change in Fund Balance	(30,000)	(30,000)	(8,776)	21,224
Fund Balance - Beginning	30,000	30,000	98,486	68,486
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 89,710</u>	<u>\$ 89,710</u>

**MONROE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2017**  
**(Continued)**

	<b>GRANT FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 500,000	\$ 773,786	\$ 248,747	\$ (525,039)
Total Receipts	<u>500,000</u>	<u>773,786</u>	<u>248,747</u>	<u>(525,039)</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	500,000	500,000	5,150	494,850
Capital Projects		273,786	241,553	32,233
Total Disbursements	<u>500,000</u>	<u>773,786</u>	<u>246,703</u>	<u>527,083</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			<u>2,044</u>	<u>2,044</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds			(2,047)	(2,047)
Total Other Adjustments to Cash (Uses)			<u>(2,047)</u>	<u>(2,047)</u>
Net Change in Fund Balance			(3)	(3)
Fund Balance - Beginning			<u>3</u>	<u>3</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

**June 30, 2017**

**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.

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

**For The Year Ended June 30, 2017**

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

**For The Year Ended June 30, 2017**

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 444,900	\$ 46,000	\$ 8,000	\$ 482,900
Construction In Progress		32,675		32,675
Buildings and Building Improvements	11,933,027			11,933,027
Equipment	991,916	3,165		995,081
Vehicles	400,058	48,826	10,000	438,884
Infrastructure	9,821,446	1,006,788		10,828,234
 Total Capital Assets	 <u>\$ 23,591,347</u>	 <u>\$ 1,137,454</u>	 <u>\$ 18,000</u>	 <u>\$24,710,801</u>

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

**June 30, 2017**

**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.

	<u>Capitalization Threshold</u>	<u>Useful Life (Years)</u>
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Equipment	\$ 2,500	3-25
Vehicles	\$ 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 Tommy Willett, Monroe County Judge/Executive  
Members of the Monroe 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 Monroe County Fiscal Court for the fiscal year ended June 30, 2017, and the related notes to the financial statement which collectively comprise the Monroe County Fiscal Court's financial statement and have issued our report thereon dated May 2, 2018.

**Internal Control Over Financial Reporting**

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

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 2017-001 to be a material weakness.

209 ST. CLAIR STREET  
FRANKFORT, KY 40601-1817

TELEPHONE 502.564.5841  
FACSIMILE 502.564.2912  
WWW.AUDITOR.KY.GOV

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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 Monroe County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

Respectfully submitted,

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

Mike Harmon  
Auditor of Public Accounts

May 2, 2018

**MONROE COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES**

**For The Year Ended June 30, 2017**

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**MONROE COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES**

**For The Year Ended June 30, 2017**

INTERNAL CONTROL - MATERIAL WEAKNESS:

2017-001 The Monroe County Jail Commissary Lacked An Adequate Segregation Of Duties Over All Accounting Functions

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This is a repeat finding and was included in the prior year audit report as finding 2016-001. A lack of segregation of duties existed over all jail commissary accounting functions. These control deficiencies were present because, during July 2016, the bookkeeper received the mail, prepared and deposited all receipts, prepared and signed disbursements, and performed the monthly bank reconciliations with little or no oversight. For August and September 2016, the jailer and the chief deputy made bank deposits and paid invoices.

According to the county, this condition was the result of a limited budget which restricted the number of employees the county could hire and delegate duties to. In addition, the bookkeeper resigned on July 31, 2016, after it was announced the Monroe County Correctional Center would be closing on August 31, 2016. The lack of oversight could have resulted in misappropriation of assets and inaccurate reporting. Adequate segregation of duties would have prevented the same person from having a significant role in the receiving process, recording, and reporting of receipts and disbursements. In addition, a proper segregation of duties protects employees in the normal course of performing their daily duties.

The jailer should have separated the duties in preparing and depositing receipts, recording transactions, preparing and signing disbursements, and reconciling the bank account. If the duties could not have been segregated due to a limited number of staff or budget, strong oversight should have been provided over the employee responsible for the duties, with documentation of the oversight performed.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: Jail closed in Aug 2016.*

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

**MONROE COUNTY FISCAL COURT**

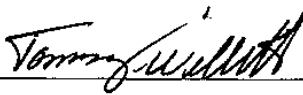
**For The Year Ended June 30, 2017**

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CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE  
MONROE COUNTY FISCAL COURT

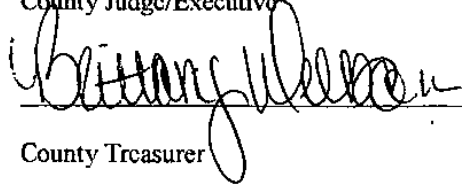
For The Fiscal Year Ended June 30, 2017

The Monroe 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.



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County Judge/Executive



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County Treasurer