

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

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



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

June 30, 2015

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

Financial Condition:

The Carroll County Fiscal Court had total receipts of \$8,580,252 and disbursements of \$8,769,508 in fiscal year 2015. This resulted in a total ending fund balance of \$10,259,979, which is a decrease of \$189,256 from the prior year.

Report Comments:

- 2015-001 The Fiscal Court Does Not Have Sufficient Controls Over Their Ambulance Service Organization
- 2015-002 The Fiscal Court Lacks Segregation Of Duties In Receipts Processing
- 2015-003 The Fiscal Court Did Not Ensure Timesheets Were Prepared And Approved For All Employees

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 Bobby Lee Westrick, Carroll County Judge/Executive
Members of the Carroll 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 Carroll County Fiscal Court, for the year ended June 30, 2015, and the related notes to the financial statement which collectively comprise the Carroll 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.



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Auditor's Responsibility (Continued)

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

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 Carroll 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 Carroll 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 Carroll 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 Carroll 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.

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Other Matters (Continued)

Supplementary Information (Continued)

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 8, 2016 on our consideration of the Carroll 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 Carroll County Fiscal Court's internal control over financial reporting and compliance.

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

- 2015-001 The Fiscal Court Does Not Have Sufficient Controls Over Their Ambulance Service Organization
- 2015-002 The Fiscal Court Lacks Segregation Of Duties In Receipts Processing
- 2015-003 The Fiscal Court Did Not Ensure Timesheets Were Prepared And Approved For All Employees

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

July 8, 2016

CARROLL COUNTY OFFICIALS

For The Year Ended June 30, 2015

Fiscal Court Members:

Bobby Lee Westrick	County Judge/Executive
Floyd Bowling	Magistrate
Kerry Graham	Magistrate
Mark Bates	Magistrate

Other Elected Officials:

Nick Marsh	County Attorney
Michael Humphrey	Jailer
Alice Marsh	County Clerk
Laman Stark	Circuit Court Clerk
Jamie Kinman	Sheriff
Rob Robertson	Property Valuation Administrator
David Wilhoite	Coroner

Appointed Personnel:

Debra Cayton	County Treasurer
Nicki Beckham	Chief Financial Officer

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

For The Year Ended June 30, 2015

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

For The Year Ended June 30, 2015

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	\$ 4,263,361	\$	\$
Excess Fees	126		
Intergovernmental	33,550	833,288	1,211,382
Charges for Services	3,826		296,202
Miscellaneous	449,622	118,164	110,231
Interest	12,985	314	81
Total Receipts	<u>4,763,470</u>	<u>951,766</u>	<u>1,617,896</u>
DISBURSEMENTS			
General Government	844,041		
Protection to Persons and Property	471,678		1,287,235
General Health and Sanitation	266,545		
Social Services	68,963		
Recreation and Culture	196,831		9,709
Roads		955,767	
Bus Services	3,000		
Capital Projects	1,000,000		
Administration	650,587	304,272	550,121
Total Disbursements	<u>3,501,645</u>	<u>1,260,039</u>	<u>1,847,065</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>1,261,825</u>	<u>(308,273)</u>	<u>(229,169)</u>
Other Adjustments to Cash (Uses)			
Transfers From Other Funds		908,647	
Transfers To Other Funds	(1,940,393)		
Total Other Adjustments to Cash (Uses)	<u>(1,940,393)</u>	<u>908,647</u>	
Net Change in Fund Balance	(678,568)	600,374	(229,169)
Fund Balance - Beginning (Restated)	5,082,173	608,308	277,369
Fund Balance - Ending	<u>\$ 4,403,605</u>	<u>\$ 1,208,682</u>	<u>\$ 48,200</u>
Composition of Fund Balance			
Bank Balance	\$ 1,444,381	\$ 1,218,668	\$ 50,929
Less: Outstanding Checks	(40,776)	(9,986)	(2,729)
Certificates of Deposit	3,000,000		
Fund Balance - Ending	<u>\$ 4,403,605</u>	<u>\$ 1,208,682</u>	<u>\$ 48,200</u>

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

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

Budgeted Funds						
Local Government Economic Assistance Fund	State Grant Fund	Federal Grant Fund	Ambulance Fund	Solid Waste Fund	Parks and Recreation Fund	911 Fund
\$	\$	\$	\$	\$	\$	\$ 38,763
76,350	10,000			15,171		
15,240			733,236		55,970	
13,456			6,267	11,470	224	
105,046	10,000		78	11	13	5
<u>105,046</u>	<u>10,000</u>		<u>739,581</u>	<u>26,652</u>	<u>56,207</u>	<u>38,768</u>
16,415	21,751		594,891			39,782
				107,718		
145,525					248,277	
315,333						
24,759			336,086	29,305	33,030	
<u>502,032</u>	<u>21,751</u>		<u>930,977</u>	<u>137,023</u>	<u>281,307</u>	<u>39,782</u>
(396,986)	(11,751)		(191,396)	(110,371)	(225,100)	(1,014)
219,935			554,563	111,925	225,991	
		(80,668)				
<u>219,935</u>		<u>(80,668)</u>	<u>554,563</u>	<u>111,925</u>	<u>225,991</u>	
(177,051)	(11,751)	(80,668)	363,167	1,554	891	(1,014)
3,555,936	11,751	80,668	540,679	62,769	2,078	9,253
<u>\$ 3,378,885</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 903,846</u>	<u>\$ 64,323</u>	<u>\$ 2,969</u>	<u>\$ 8,239</u>
\$ 409,716	\$	\$	\$ 905,481	\$ 67,224	\$ 5,008	\$ 8,277
(30,831)			(1,635)	(2,901)	(2,039)	(38)
<u>3,000,000</u>						
<u>\$ 3,378,885</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 903,846</u>	<u>\$ 64,323</u>	<u>\$ 2,969</u>	<u>\$ 8,239</u>

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

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

	Budgeted Funds		Unbudgeted Funds		
	Insurance Fund	911 Wireless Fund	Public Facilities Construction Corporation Fund	Jail Commissary Fund	Total Funds
RECEIPTS					
Taxes	\$	\$	\$	\$	\$ 4,302,124
Excess Fees					126
Intergovernmental		102,387			2,282,128
Charges for Services				130,076	1,219,310
Miscellaneous	38,402				749,620
Interest		1			26,944
Total Receipts	<u>38,402</u>	<u>102,388</u>		<u>130,076</u>	<u>8,580,252</u>
DISBURSEMENTS					
General Government					844,041
Protection to Persons and Property		118,698			2,550,450
General Health and Sanitation					374,263
Social Services					68,963
Recreation and Culture				86,712	687,054
Roads					955,767
Bus Services					3,000
Capital Projects					1,315,333
Administration	23,997		18,480		1,970,637
Total Disbursements	<u>23,997</u>	<u>118,698</u>	<u>18,480</u>	<u>86,712</u>	<u>8,769,508</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>14,405</u>	<u>(16,310)</u>	<u>(18,480)</u>	<u>43,364</u>	<u>(189,256)</u>
Other Adjustments to Cash (Uses)					
Transfers From Other Funds					2,021,061
Transfers To Other Funds					(2,021,061)
Total Other Adjustments to Cash (Uses)					
Net Change in Fund Balance	14,405	(16,310)	(18,480)	43,364	(189,256)
Fund Balance - Beginning (Restated)	22,788	19,972	18,480	157,011	10,449,235
Fund Balance - Ending	<u>\$ 37,193</u>	<u>\$ 3,662</u>	<u>\$ 0</u>	<u>\$ 200,375</u>	<u>\$ 10,259,979</u>
Composition of Fund Balance					
Bank Balance	\$ 37,193	\$ 3,662	\$	\$ 202,797	\$ 4,353,336
Less Outstanding Checks				(2,422)	(93,357)
Certificates of Deposit					6,000,000
Ending Fund Balance	<u>\$ 37,193</u>	<u>\$ 3,662</u>	<u>\$ 0</u>	<u>\$ 200,375</u>	<u>\$ 10,259,979</u>

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

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TO THE FINANCIAL STATEMENT**

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CARROLL COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2015

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

B. Basis of Accounting

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

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

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

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

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

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

CARROLL 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.

State Grant Fund - The primary purpose of this fund is to account for the restricted grant revenues received from the Commonwealth of Kentucky.

Federal Grant Fund - The primary purpose of this fund is to account for grant monies received from federal agencies.

Ambulance Fund - The primary purpose of this fund is to account for the operations of the Carroll County Ambulance Service. The primary source of receipts for this fund is ambulance user fees.

Solid Waste Fund - The primary purpose of this fund is to account for the usage of the recurring litter abatement grant. The primary source of receipts for this fund is state grants.

Parks and Recreation Fund - The primary purpose of this fund is to account for the Parks and Recreation Department of Carroll County.

911 Fund - The primary purpose of this fund is to account for emergency dispatch activities as shared with the City of Carrollton. The primary source of receipts for this fund is telephone 911 surcharges.

911 Wireless Fund - The primary purpose of this fund is to account for emergency dispatch activities as shared with the City of Carrollton. The primary source of receipts for this fund is wireless telephone surcharges.

Insurance Fund - This fund accounts for employee and employer contributions to reimburse employees for health care expenses.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

Public Facilities Construction 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(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit and to enhance the well-being of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the jail commissary fund.

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

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information

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

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

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

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

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

E. Carroll County Elected Officials

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments (Continued)

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

G. Long-term Obligations

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

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.

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

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2015.

	General Fund	Federal Grant Fund	Total Transfers In
Road Fund	\$ 827,979	\$ 80,668	\$ 908,647
LGEA Fund	219,935		219,935
Ambulance Fund	554,563		554,563
Solid Waste Fund	111,925		111,925
Parks and Recreation Fund	225,991		225,991
Total Transfers Out	<u>\$ 1,940,393</u>	<u>\$ 80,668</u>	<u>\$ 2,021,061</u>

Reason for transfers:

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

Note 4. Agency Trust Funds

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

The fiscal court has the following agency trust fund:

Jail Inmate Fund - This fund accounts for funds held for inmates while they are incarcerated. The balance in the jail inmate fund as of June 30, 2015 was \$39,032.

Note 5. Employee Retirement System

A. Plan Description

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). This is a cost sharing, multiple employer defined benefit pension plan that covers all eligible regular full-time members employed in non-hazardous 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.

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

Note 5. 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 \$432,650, FY 2014 was \$432,905, and FY 2015 was \$413,591.

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 (members 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.

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

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

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

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

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.

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

Note 5. Employee Retirement System (Continued)

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

	June 30, 2014	June 30, 2015
Non-Hazardous	\$ 3,632,000	\$ 3,210,000
Totals	<u>\$ 3,632,000</u>	<u>\$ 3,210,000</u>

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

Note 6. Deferred Compensation

On February 24, 2000, the Carroll 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.

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

Note 7. Health Reimbursement Account/Flexible Spending Account

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

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

Note 8. Insurance

For the fiscal year ended June 30, 2015, Carroll County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 9. Conduit Debt

From time to time the county has issued bonds to provide financial assistance to third parties for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest, in accordance with KRS 103.210. This debt may take the form of certain types of limited-obligation revenue bonds, certificates of participation, or similar debt instruments. Although conduit debt obligations bear the Carroll County Fiscal Court's name as issuer, the fiscal court has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf it is issued. Neither the fiscal court nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statement. As of June 30, 2015, there were 22 series of revenue bonds outstanding, with an aggregate principal amount payable of \$2,457,406,025.

Note 10. Prior Period Adjustments

The beginning balance of the general fund, road fund, jail fund, LGEA fund, ambulance fund, solid waste fund, and parks and recreation fund were restated by (\$172), \$72, \$53, \$533, \$220, \$147, and \$91, respectively, due to the correction of errors and voided checks.

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CARROLL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2015

CARROLL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2015

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 3,185,662	\$ 3,185,662	\$ 4,263,361	\$ 1,077,699
Excess Fees	17,430	17,430	126	(17,304)
Intergovernmental	99,690	99,690	33,550	(66,140)
Charges for Services	1,500	1,500	3,826	2,326
Miscellaneous	345,500	345,500	449,622	104,122
Interest	50,110	50,110	12,985	(37,125)
Total Receipts	<u>3,699,892</u>	<u>3,699,892</u>	<u>4,763,470</u>	<u>1,063,578</u>
DISBURSEMENTS				
General Government	932,388	1,132,909	844,041	288,868
Protection to Persons and Property	640,696	677,884	471,678	206,206
General Health and Sanitation	472,521	472,981	266,545	206,436
Social Services	95,093	96,436	68,963	27,473
Recreation and Culture	222,896	222,896	196,831	26,065
Bus Services	6,000	6,000	3,000	3,000
Capital Projects	2,000,000	2,000,000	1,000,000	1,000,000
Administration	1,152,900	867,959	650,587	217,372
Total Disbursements	<u>5,522,494</u>	<u>5,477,065</u>	<u>3,501,645</u>	<u>1,975,420</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,822,602)</u>	<u>(1,777,173)</u>	<u>1,261,825</u>	<u>3,038,998</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	<u>(1,940,393)</u>	<u>(1,940,393)</u>	<u>(1,940,393)</u>	
Total Other Adjustments to Cash (Uses)	<u>(1,940,393)</u>	<u>(1,940,393)</u>	<u>(1,940,393)</u>	
Net Change in Fund Balance	(3,762,995)	(3,717,566)	(678,568)	3,038,998
Fund Balance Beginning (Restated)	<u>3,762,995</u>	<u>3,762,995</u>	<u>5,082,173</u>	<u>1,319,178</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 45,429</u>	<u>\$ 4,403,605</u>	<u>\$ 4,358,176</u>

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

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 854,285	\$ 854,285	\$ 833,288	\$ (20,997)
Miscellaneous	1,000	1,000	118,164	117,164
Interest	900	900	314	(586)
Total Receipts	<u>856,185</u>	<u>856,185</u>	<u>951,766</u>	<u>95,581</u>
DISBURSEMENTS				
Roads	1,270,350	1,375,833	955,767	420,066
Administration	463,814	358,331	304,272	54,059
Total Disbursements	<u>1,734,164</u>	<u>1,734,164</u>	<u>1,260,039</u>	<u>474,125</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(877,979)</u>	<u>(877,979)</u>	<u>(308,273)</u>	<u>569,706</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>827,979</u>	<u>827,979</u>	<u>908,647</u>	<u>80,668</u>
Total Other Adjustments to Cash (Uses)	<u>827,979</u>	<u>827,979</u>	<u>908,647</u>	<u>80,668</u>
Net Change in Fund Balance	(50,000)	(50,000)	600,374	650,374
Fund Balance Beginning	<u>50,000</u>	<u>50,000</u>	<u>608,308</u>	<u>558,308</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,208,682</u>	<u>\$ 1,208,682</u>

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

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,314,221	\$ 1,314,221	\$ 1,211,382	\$ (102,839)
Charges for Services	341,495	341,495	296,202	(45,293)
Miscellaneous	163,737	163,737	110,231	(53,506)
Interest	398	398	81	(317)
Total Receipts	<u>1,819,851</u>	<u>1,819,851</u>	<u>1,617,896</u>	<u>(201,955)</u>
DISBURSEMENTS				
Protection to Persons and Property	1,432,431	1,480,502	1,287,235	193,267
Recreation and Culture	5,000	9,709	9,709	
Administration	706,150	653,370	550,121	103,249
Total Disbursements	<u>2,143,581</u>	<u>2,143,581</u>	<u>1,847,065</u>	<u>296,516</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(323,730)</u>	<u>(323,730)</u>	<u>(229,169)</u>	<u>94,561</u>
Net Change in Fund Balance	(323,730)	(323,730)	(229,169)	94,561
Fund Balance Beginning	<u>323,730</u>	<u>323,730</u>	<u>277,369</u>	<u>(46,361)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 48,200</u>	<u>\$ 48,200</u>

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

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 20,235	\$ 20,235	\$ 76,350	\$ 56,115
Miscellaneous	9,000	9,000	15,240	6,240
Interest	16,075	16,075	13,456	(2,619)
Total Receipts	45,310	45,310	105,046	59,736
DISBURSEMENTS				
Protection to Persons and Property	16,415	16,415	16,415	
Recreation and Culture	180,800	212,689	145,525	67,164
Capital Projects	580,000	559,770	315,333	244,437
Administration	38,030	26,371	24,759	1,612
Total Disbursements	815,245	815,245	502,032	313,213
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(769,935)	(769,935)	(396,986)	372,949
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	219,935	219,935	219,935	
Total Other Adjustments to Cash (Uses)	219,935	219,935	219,935	
Net Change in Fund Balance	(550,000)	(550,000)	(177,051)	372,949
Fund Balance Beginning	550,000	550,000	3,555,936	3,005,936
Fund Balance - Ending	\$ 0	\$ 0	\$ 3,378,885	\$ 3,378,885

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

STATE GRANT FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 11,100	\$ 21,100	\$ 10,000	\$ (11,100)
Total Receipts	<u>11,100</u>	<u>21,100</u>	<u>10,000</u>	<u>(11,100)</u>
DISBURSEMENTS				
Protection to Persons and Property	11,100	21,762	21,751	11
Total Disbursements	<u>11,100</u>	<u>21,762</u>	<u>21,751</u>	<u>11</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		<u>(662)</u>	<u>(11,751)</u>	<u>(11,089)</u>
Net Change in Fund Balance		(662)	(11,751)	(11,089)
Fund Balance Beginning			<u>11,751</u>	<u>11,751</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (662)</u>	<u>\$ 0</u>	<u>\$ 662</u>

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

FEDERAL GRANT FUND			
<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<u>Original</u>	<u>Final</u>	<u> </u>	<u> </u>
Other Adjustments to Cash (Uses)			
Transfers From Other Funds			
		(80,668)	(80,668)
Transfers To Other Funds			
		(80,668)	(80,668)
Total Other Adjustments to Cash (Uses)			
		(80,668)	(80,668)
Net Change in Fund Balance			
		80,668	80,668
Fund Balance Beginning			
		80,668	80,668
Fund Balance - Ending			
\$	0	\$	0
\$	0	\$	0
\$	0	\$	0
\$	0	\$	0

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

AMBULANCE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Charges for Services	\$ 525,000	\$ 525,000	\$ 733,236	\$ 208,236
Miscellaneous	2,500	2,500	6,267	3,767
Interest	50	50	78	28
Total Receipts	<u>527,550</u>	<u>527,550</u>	<u>739,581</u>	<u>212,031</u>
DISBURSEMENTS				
Protection to Persons and Property	912,334	912,006	594,891	317,115
Administration	419,779	420,107	336,086	84,021
Total Disbursements	<u>1,332,113</u>	<u>1,332,113</u>	<u>930,977</u>	<u>401,136</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(804,563)</u>	<u>(804,563)</u>	<u>(191,396)</u>	<u>613,167</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>554,563</u>	<u>554,563</u>	<u>554,563</u>	
Total Other Adjustments to Cash (Uses)	<u>554,563</u>	<u>554,563</u>	<u>554,563</u>	
Net Change in Fund Balance	(250,000)	(250,000)	363,167	613,167
Fund Balance Beginning	<u>250,000</u>	<u>250,000</u>	<u>540,679</u>	<u>290,679</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 903,846</u>	<u>\$ 903,846</u>

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

SOLID WASTE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 18,311	\$ 18,311	\$ 15,171	\$ (3,140)
Miscellaneous			11,470	11,470
Interest	50	50	11	(39)
Total Receipts	<u>18,361</u>	<u>18,361</u>	<u>26,652</u>	<u>8,291</u>
DISBURSEMENTS				
General Health and Sanitation	174,125	174,625	107,718	66,907
Administration	31,161	30,970	29,305	1,665
Total Disbursements	<u>205,286</u>	<u>205,595</u>	<u>137,023</u>	<u>68,572</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(186,925)</u>	<u>(187,234)</u>	<u>(110,371)</u>	<u>76,863</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	111,925	111,925	111,925	
Total Other Adjustments to Cash (Uses)	<u>111,925</u>	<u>111,925</u>	<u>111,925</u>	
Net Change in Fund Balance	(75,000)	(75,309)	1,554	76,863
Fund Balance Beginning	75,000	75,000	62,769	(12,231)
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (309)</u>	<u>\$ 64,323</u>	<u>\$ 64,632</u>

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

PARKS AND RECREATION FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Charges for Services	\$ 36,600	\$ 36,600	\$ 55,970	\$ 19,370
Miscellaneous	3,200	3,200	224	(2,976)
Interest	100	100	13	(87)
Total Receipts	<u>39,900</u>	<u>39,900</u>	<u>56,207</u>	<u>16,307</u>
DISBURSEMENTS				
Recreation and Culture	236,073	250,689	248,277	2,412
Administration	29,818	34,660	33,030	1,630
Total Disbursements	<u>265,891</u>	<u>285,349</u>	<u>281,307</u>	<u>4,042</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(225,991)</u>	<u>(245,449)</u>	<u>(225,100)</u>	<u>20,349</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>225,991</u>	<u>225,991</u>	<u>225,991</u>	
Total Other Adjustments to Cash (Uses)	<u>225,991</u>	<u>225,991</u>	<u>225,991</u>	
Net Change in Fund Balance		(19,458)	891	20,349
Fund Balance Beginning			<u>2,078</u>	<u>2,078</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (19,458)</u>	<u>\$ 2,969</u>	<u>\$ 22,427</u>

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

911 FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 45,000	\$ 45,000	\$ 38,763	\$ (6,237)
Interest	10	10	5	(5)
Total Receipts	<u>45,010</u>	<u>45,010</u>	<u>38,768</u>	<u>(6,242)</u>
DISBURSEMENTS				
Protection to Persons and Property	44,635	44,635	39,782	4,853
Administration	375	375		375
Total Disbursements	<u>45,010</u>	<u>45,010</u>	<u>39,782</u>	<u>5,228</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			<u>(1,014)</u>	<u>(1,014)</u>
Net Change in Fund Balance			(1,014)	(1,014)
Fund Balance Beginning			<u>9,253</u>	<u>9,253</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 8,239</u>	<u>\$ 8,239</u>

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

911 WIRELESS FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 102,387	\$ 2,387
Interest	10	10	1	(9)
Total Receipts	<u>100,010</u>	<u>100,010</u>	<u>102,388</u>	<u>2,378</u>
DISBURSEMENTS				
General Government				
Protection to Persons and Property	100,010	125,010	118,698	6,312
Total Disbursements	<u>100,010</u>	<u>125,010</u>	<u>118,698</u>	<u>6,312</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		<u>(25,000)</u>	<u>(16,310)</u>	<u>8,690</u>
Net Change in Fund Balance		(25,000)	(16,310)	8,690
Fund Balance Beginning			<u>19,972</u>	<u>19,972</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (25,000)</u>	<u>\$ 3,662</u>	<u>\$ 28,662</u>

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

INSURANCE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$ 70,000	\$ 70,000	\$ 38,402	\$ (31,598)
Total Receipts	<u>70,000</u>	<u>70,000</u>	<u>38,402</u>	<u>(31,598)</u>
DISBURSEMENTS				
Administration	<u>70,000</u>	<u>70,000</u>	<u>23,997</u>	<u>46,003</u>
Total Disbursements	<u>70,000</u>	<u>70,000</u>	<u>23,997</u>	<u>46,003</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			<u>14,405</u>	<u>14,405</u>
Net Change in Fund Balance			14,405	14,405
Fund Balance Beginning			<u>22,788</u>	<u>22,788</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 37,193</u>	<u>\$ 37,193</u>

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

CARROLL COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2015

The fiscal court reports the following schedule of capital assets:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Land and Land Improvements	\$ 726,301	\$ 230,290	\$	\$ 956,591
Buildings	5,787,210	87,400		5,874,610
Equipment	1,773,232	90,909		1,864,141
Vehicles	1,440,148	79,498		1,519,646
Infrastructure	7,499,014	363,270		7,862,284
 Total Capital Assets	 <u>\$ 17,225,905</u>	 <u>\$ 851,367</u>	 <u>\$ 0</u>	 <u>\$18,077,272</u>

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

June 30, 2015

Note 1. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported as other information. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10 - 60
Buildings and Building Improvements	\$ 25,000	10 - 75
Equipment	\$ 5,000	3 - 25
Vehicles	\$ 5,000	3 - 25
Infrastructure	\$ 20,000	10 - 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 Bobby Lee Westrick, Carroll County Judge/Executive
Members of the Carroll 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 Carroll County Fiscal Court for the fiscal year ended June 30, 2015, and the related notes to the financial statement which collectively comprise the Carroll County Fiscal Court's financial statement and have issued our report thereon dated July 8, 2016.

Internal Control Over Financial Reporting

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

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

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 comments and recommendations as item 2015-001 to be a material weakness.



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

Internal Control Over Financial Reporting (Continued)

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying comments and recommendations as items 2015-002 and 2015-003 to be significant deficiencies.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Carroll 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*.

County Judge/Executive's Responses to Findings

The Carroll County Judge/Executive's responses to the findings identified in our audit are described in the accompanying comments and recommendations. The Carroll County Judge/Executive's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

Purpose of this Report

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

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

July 8, 2016

**CARROLL COUNTY
COMMENTS AND RECOMMENDATIONS**

For The Year Ended June 30, 2015

CARROLL COUNTY
COMMENTS AND RECOMMENDATIONS

Fiscal Year Ended June 30, 2015

INTERNAL CONTROL - MATERIAL WEAKNESS:

2015-001 The Fiscal Court Does Not Have Sufficient Controls Over Their Ambulance Service Organization

Ambulance service user fees are billed and processed by an independent contractor. The fiscal court receives ambulance fees directly from the patients and insurance carriers, but all billing and receivable tracking is performed by the contractor. Accounting standards refer to this arrangement as a service organization relationship. The fiscal court does not adequately monitor the activity performed by the service organization, nor does it require a service organization internal control review by an independent accountant.

The fiscal court has not been able to receive a report from the service organization because they do not have a review done. The fiscal court is no longer using this contractor because they have gone out of business, but has a similar arrangement with a new contractor. By not implementing sufficient internal controls and monitoring of the service organization, the fiscal court is subjecting the activity performed by the service organization to unnecessary risk. An error or fraud could occur at the service organization that would affect the fiscal court's receipts; however, this would go unnoticed by the county treasurer without sufficient internal controls.

The service organization agreement contract does not relieve the fiscal court of its responsibility to maintain internal accounting controls designed to reduce the risk of material misstatements in the financial statement. Good internal controls dictate sufficient direct oversight by the fiscal court of all financial and reporting processes.

We recommend the fiscal court provide oversight and monitoring over the activity provided by the service organization to adequately oversee the arrangement. We further recommend that the fiscal court request the new service organization to annually undergo a review in accordance with auditing standards section AU-C 402 (formerly SAS-70) and provide a service organization internal control report.

County Judge/Executive's Response: We have contacted vender and will comply.

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES:

2015-002 The Fiscal Court Lacks Segregation Of Duties In Receipts Processing

There is a lack of segregation of duties in receipts processing. The same person collects most receipts, prepares the deposit ticket, takes the deposit to the bank, records receipts in the ledger, and reconciles the bank account without independent review by another person of these procedures. The fiscal court has not implemented a policy to ensure segregated duties or sufficient compensating controls. A lack of adequate segregation of duties and too much control by one individual could result in undetected misappropriation of assets, errors, and inaccurate financial reporting. When controls procedures are performed by the same employee and no compensating controls are in place, the risk of undetected material misstatements due to error or fraud significantly increases.

Good internal controls dictate adequate segregation of duties to prevent the same person from having complete control in the receiving, recording, 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 county cannot ensure all receipts are deposited and all bank activity is appropriately documented in the accounting system.

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

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES: (Continued)

2015-002 The Fiscal Court Lacks Segregation Of Duties In Receipts Processing (Continued)

We recommend the fiscal court strengthen internal controls by segregating the duties involved in receiving, recording, reconciling, and reporting receipts. If segregation is not possible, we recommend further compensating controls such as a receipt listing prepared by another person to compare to deposit tickets and ledger postings, and documentation of oversight and review by a second person.

County Judge/Executive's Response: Will comply.

2015-003 The Fiscal Court Did Not Ensure Timesheets Were Prepared And Approved For All Employees

The fiscal court did not ensure timesheets were prepared and approved for all employees. Of the 13 timecards tested, four were not signed by the employee and eight were not signed by the supervisor. One salaried employee was paid without any verification of time worked in the form of a timecard. Some departments do not ensure that employees and supervisors have reviewed and signed timecards before submitting them for processing. When the policy regarding timecards is not consistently followed and timecards are not properly reviewed and approved, risk increases that hours worked are not accurately reported and employees are not paid correctly. In addition, accurate employee records should be maintained for proper reporting to external agencies such as the IRS and Kentucky Retirement System. KRS 337.320 requires that all employers keep a record of the hours worked each day and week by each employee (except elected officials). Without maintaining all timecards with the signatures of both employee and supervisor, documentation of actual hours worked is not verified by employee and approved by supervisor. We recommend the fiscal court comply with KRS 337.320, by requiring all employees (except elected officials) have a properly approved timecard. We also recommend that all timecards are maintained, are signed by the employee and supervisor, and agree to the hours paid.

County Judge/Executive's Response: Will comply.

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

CARROLL COUNTY FISCAL COURT

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

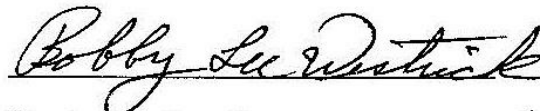
CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE *PROGRAM*

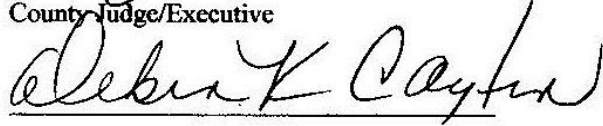
CARROLL COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2015

The Carroll 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

