

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

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



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

June 30, 2015

The Auditor of Public Accounts has completed the audit of the Ohio County Fiscal Court for fiscal year ended June 30, 2015.

We have issued an unmodified opinion, based on our audit, on the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Ohio County Fiscal Court.

Financial Condition:

The Ohio County Fiscal Court had total receipts of \$12,710,230 and disbursements of \$13,267,947 in fiscal year 2015. This resulted in a total ending fund balance of \$3,398,965, which is an increase of \$98,749 from the prior year.

Report Comments:

- 2015-001 The Ohio County Jail Lacks Adequate Controls Over Commissary Transactions And Inmate Fees
- 2015-002 The Ohio County Jail Did Not Properly Utilize Accounting Software
- 2015-003 The Ohio County Jail Did Not Maintain Inmate Reports
- 2015-004 The Ohio County Fiscal Court Had Weak Internal Controls Over Golf Course Receipts And Did Not Require Daily Deposits
- 2015-005 The Ohio County Fiscal Court's Capital Asset Schedule Was Inaccurate
- 2015-006 The Ohio County Jail Did Not Make Daily Deposits Or Submit Fees To The County Treasurer Timely

Deposits:

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

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 CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

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

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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



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

As described more fully in Note 1 of the financial statement, the financial statement is prepared by the Ohio 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 Ohio 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 Ohio 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 Ohio 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
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2016 on our consideration of the Ohio 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 Ohio 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 Ohio County Jail Lacks Adequate Controls Over Commissary Transactions And Inmate Fees
- 2015-002 The Ohio County Jail Did Not Properly Utilize Accounting Software
- 2015-003 The Ohio County Jail Did Not Maintain Inmate Reports
- 2015-004 The Ohio County Fiscal Court Had Weak Internal Controls Over Golf Course Receipts And Did Not Require Daily Deposits
- 2015-005 The Ohio County Fiscal Court's Capital Asset Schedule Was Inaccurate
- 2015-006 The Ohio County Jail Did Not Make Daily Deposits Or Submit Fees To The County Treasurer Timely

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

August 18, 2016

OHIO COUNTY OFFICIALS

For The Year Ended June 30, 2015

Fiscal Court Members:

David Johnston	County Judge/Executive
Sam Small	Magistrate
Jason Bullock	Magistrate
Joe Barnes	Magistrate
Larry Keown	Magistrate
Larry Morphew	Magistrate

Other Elected Officials:

Justin Keown	County Attorney
Gerry Wright	Jailer
Bess Ralph	County Clerk
Shannon Kirtley	Circuit Court Clerk
Tracy Beatty	Sheriff
Jason Chinn	Property Valuation Administrator
Larry Bevil	Coroner

Appointed Personnel:

Anne Melton	County Treasurer
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**OHIO COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS**

For The Year Ended June 30, 2015

OHIO 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	Local Government Economic Assistance Fund
RECEIPTS			
Taxes	\$ 4,068,022	\$	\$
Licenses and Permits	92,690		
Intergovernmental	1,928,786	2,633,495	2,199,980
Charges for Services	215,536		
Miscellaneous	1,053,970	320,678	2,679
Interest	6,272	3,140	1,003
Total Receipts	<u>7,365,276</u>	<u>2,957,313</u>	<u>2,203,662</u>
DISBURSEMENTS			
General Government	3,922,421		995,930
Protection to Persons and Property	1,525,989		324,849
General Health and Sanitation	185,155		
Social Services	320,929		
Recreation and Culture	468,886		35,217
Roads		3,001,339	664,715
Airports	81,300		1,138
Debt Service	149,144	276,990	44,457
Capital Projects		59,031	
Administration	468,776	367,310	
Total Disbursements	<u>7,122,600</u>	<u>3,704,670</u>	<u>2,066,306</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>242,676</u>	<u>(747,357)</u>	<u>137,356</u>
Other Adjustments to Cash (Uses)			
Borrowed Money		656,466	
Total Other Adjustments to Cash (Uses)		<u>656,466</u>	
Net Change in Fund Balance	242,676	(90,891)	137,356
Fund Balance - Beginning	1,596,665	721,868	484,872
Fund Balance - Ending	<u>\$ 1,839,341</u>	<u>\$ 630,977</u>	<u>\$ 622,228</u>

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

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

Budgeted Funds				
Federal/ State Grants Fund	Forest Fire Fund	Landfill Fund	Ohio County Economic Development Alliance Fund	Waterline Fund
\$	\$ 6,120	\$	\$	\$
		77,383		77,383
	10	664	3,693	
	6,130	78,047	3,761	119
			50,000	
67,173	2,785	140,816		93,775
67,173	2,785	140,816	50,000	93,775
(67,173)	3,345	(62,769)	(46,239)	(16,273)
(67,173)	3,345	(62,769)	(46,239)	(16,273)
67,173	1,487	274,192	100,013	39,274
\$ 0	\$ 4,832	\$ 211,423	\$ 53,774	\$ 23,001
\$	\$ 4,832	\$ 211,423	\$ 53,774	\$ 23,001
\$ 0	\$ 4,832	\$ 211,423	\$ 53,774	\$ 23,001

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

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

	<u>Unbudgeted Fund</u>	
	<u>Jail Commissary Fund</u>	<u>Total Funds</u>
RECEIPTS		
Taxes	\$	\$ 4,074,142
Licenses and Permits		92,690
Intergovernmental		6,762,261
Charges for Services		370,302
Miscellaneous	18,539	1,399,559
Interest		11,276
Total Receipts	<u>18,539</u>	<u>12,710,230</u>
DISBURSEMENTS		
General Government		4,968,351
Protection to Persons and Property		1,920,796
General Health and Sanitation		419,746
Social Services		320,929
Recreation and Culture	19,822	523,925
Roads		3,666,054
Bus Services		82,438
Debt Service		470,591
Capital Projects		59,031
Administration		836,086
Total Disbursements	<u>19,822</u>	<u>13,267,947</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,283)</u>	<u>(557,717)</u>
Other Adjustments to Cash (Uses)		
Borrowed Money		<u>656,466</u>
Total Other Adjustments to Cash (Uses)		<u>656,466</u>
Net Change in Fund Balance	(1,283)	98,749
Fund Balance - Beginning	<u>14,672</u>	<u>3,300,216</u>
Fund Balance - Ending	<u>\$ 13,389</u>	<u>\$ 3,398,965</u>
Composition of Fund Balance		
Bank Balance	\$ 13,389	\$ 3,666,207
Deposits In Transit		839
Less Outstanding Checks		<u>(268,081)</u>
Ending Fund Balance	<u>\$ 13,389</u>	<u>\$ 3,398,965</u>

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

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TO THE FINANCIAL STATEMENT**

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OHIO COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2015

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statement of Ohio County includes all budgeted and unbudgeted funds under the control of the Ohio 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 Ohio County Hospital Corporation would have been included in the reporting entity under accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board. However under the regulatory basis it is no longer a required component of the reporting entity. The audit of the Ohio County Hospital Corporation can be obtained from the Ohio County Fiscal Court, 130 East Washington Street, Suite 215, Hartford, KY 42347.

B. Basis of Accounting

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

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

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

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

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

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.

Federal/State Grants Fund - The primary purpose of this fund is to account for federal and state grants and related disbursements. The primary sources of receipts for this fund are grants from the federal and state governments.

Forest Fire Fund - The primary purpose of this fund is to account for forest fire taxes received from the Ohio County Sheriff's department and disbursements related to fire protection.

Landfill Fund - The primary purpose of this fund is to account for landfill receipts and landfill project disbursements.

Ohio County Economic Development Alliance Fund - The primary purpose of this fund is to promote the growth and development of Ohio County's economic base, assist in the retention and expansion of existing businesses, and vigorously seek out new businesses for Ohio County. Activity of this fund includes low interest rate revolving loans to businesses.

Waterline Fund - The primary purpose of this fund is to account for waterline project disbursements. The primary source of receipts for this fund is landfill fees.

Unbudgeted Funds

The fiscal court reports the following unbudgeted fund:

Jail Commissary Fund - The canteen operations are authorized pursuant to KRS 441.135. The profits generated from the sale of items are to be used for the benefit and to enhance the well-being of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the jail commissary fund.

D. Budgetary Information

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information (Continued)

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

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

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

E. Ohio County Elected Officials

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

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.

Note 3. Assets Held For Resale

Assets held for resale activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Assets Held for Resale:				
Vehicles	\$ 128,853	\$ 406,465	\$ 257,723	\$ 277,595
Total	\$ 128,853	\$ 406,465	\$ 257,723	\$ 277,595

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

Note 4. Long-term Debt

A. Bank of Ohio County - Courthouse Renovations

The county entered into an installment loan agreement with the Bank of Ohio County on November 18, 2005, in the amount of \$1,600,000. The purpose of the loan was to finance the acquisition of property, to finance renovations and improvements to the courthouse, and to retire the Ohio County Buildings Commission First Mortgage Revenue Bonds, Series 1979. The interest rate is 4.92 percent for a period of 20 years with principal and interest payments due monthly. The principal balance at June 30, 2015 was \$1,026,711. Future debt service requirements are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2016	\$ 77,004	\$ 49,608
2017	81,069	45,543
2018	85,207	41,405
2019	89,556	37,056
2020	94,039	32,572
2021-2025	547,735	85,322
2026	52,101	653
Totals	<u>\$ 1,026,711</u>	<u>\$ 292,159</u>

B. Kentucky Association Of Counties Leasing Trust - County Park Land

On January 14, 2008, the county entered into a financing agreement with the Kentucky Association of Counties Leasing Trust in the sum of \$250,000 with a variable interest rate. The financing obligation was used to purchase land to be used as a park. The maturity date of the obligation is January 20, 2023. The balance of the obligation at June 30, 2015 was \$153,520. Future debt service requirements of the general fund are as follows:

Fiscal Year Ended June 30	Principal	Interest
2016	\$ 16,406	\$ 6,438
2017	17,442	5,723
2018	18,542	4,967
2019	19,712	4,162
2020	20,956	3,310
2021-2023	60,462	4,202
Totals	<u>\$ 153,520</u>	<u>\$ 28,802</u>

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

Note 4. Long-term Debt (Continued)

C. Kentucky Association Of Counties Leasing Trust - EMS Building

On August 5, 2009, the county entered into a financing agreement with the Kentucky Association of Counties Leasing Trust in the amount of \$300,000 for the purpose of financing the construction costs for a new EMS building. The interest rate is variable. Principal and interest payments are due on the 20th of each month until the termination date of August 20, 2017. The principal balance at June 30, 2015 was \$90,928. Future debt service requirements are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2016	\$ 40,991	\$ 3,372
2017	42,660	1,600
2018	7,277	88
Totals	<u>\$ 90,928</u>	<u>\$ 5,060</u>

D. Green River Area Development District - Dump Truck, Loader, and Backhoe/Loader

On April 8, 2015, the county entered into a financing agreement with the Green River Area Development District in the amount of \$250,000 for the purpose of purchasing a dump truck, loader, and backhoe/loader. The interest rate is variable. Principal and interest payments are due on the 1st of each month until the termination date of April 1, 2022. The principal balance at June 20, 2015 was \$244,428. Future debt service requirements are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2016	\$ 33,294	\$ 5,593
2017	34,116	5,772
2018	34,957	3,930
2019	35,820	3,067
2020	36,704	2,184
2021-2022	69,537	1,635
Totals	<u>\$ 244,428</u>	<u>\$ 22,181</u>

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

Note 4. Long-term Debt (Continued)

E. Kentucky Association Of Counties Leasing Trust - Mack Truck

On September 22, 2014, the county entered into a financing agreement with the Kentucky Association of Counties Leasing Trust in the amount of \$131,790 for the purpose of purchasing a Mack Truck. The interest rate is variable with payments due on the 20th of each month with a balloon principal payment due on March 20, 2016. The principal balance at June 30, 2015 was \$131,790. Future debt service requirements are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2016	\$ 131,790	\$ 3,707
Totals	<u>\$ 131,790</u>	<u>\$ 3,707</u>

F. Kentucky Association Of Counties Leasing Trust - Mack Truck

On April 22, 2015, the county entered into a financing agreement with the Kentucky Association of Counties Leasing Trust in the amount of \$145,806 for the purpose of purchasing a Mack truck. The interest rate is variable with payments due on the 20th of each month with a balloon principal payment due on October 20, 2016. The principal balance at June 30, 2015 was \$145,806. Future debt service requirements are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2016	\$	\$ 4,739
2017	145,806	1,580
Totals	<u>\$ 145,806</u>	<u>\$ 6,319</u>

G. Kentucky Association Of Counties Leasing Trust - Mack Truck

On October 7, 2013, the county entered into a financing agreement with the Kentucky Association of Counties Leasing Trust in the amount of \$128,853 for the purpose of purchasing a Mack truck. The interest rate is variable with payments due on the 20th of each month with a balloon principal payment due on April 20, 2015. The principal balance at June 30, 2015 was \$0.

H. Kentucky Association Of Counties Leasing Trust - Mack Truck

On August 27, 2014, the county entered into a financing agreement with the Kentucky Association of Counties Leasing Trust in the amount \$128,870 for the purpose of purchasing a Mack truck. The interest rate is variable with payments due on the 20th of each month with a balloon principal payment due on February 20, 2016. The principal balance at June 30, 2015 was \$0.

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

Note 4. Long-term Debt (Continued)

I. Changes In Long-term Debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Financing Obligations	\$ 1,528,224	\$ 656,465	\$ 391,506	\$ 1,793,183	\$ 299,485
Total Long-term Debt	<u>\$ 1,528,224</u>	<u>\$ 656,465</u>	<u>\$ 391,506</u>	<u>\$ 1,793,183</u>	<u>\$ 299,485</u>

Note 5. Commitments and Contingencies

The county is involved in a lawsuit that arose from the normal course of doing business that could negatively impact the county's financial position. Due to the uncertainty of the litigation, a reasonable estimate of the financial impact on the county cannot be made at this time.

Note 6. Commitment Debt - Water District

In 2009, the Ohio County Fiscal Court entered into a financial obligation agreement with the Ohio County Water District to provide semi-annual payments of principal, interest, and fees up to \$3,000,000 on a Kentucky Infrastructure Authority (KIA) loan the Water District incurred for the construction of a new water treatment plant and related facilities. The agreement authorized and provided for the fiscal court to have pre-payment privilege of all or part of the Water District KIA loan obligation made by the fiscal court without a pre-payment penalty. A pre-payment in the amount of \$550,000 was made on the loan on April 1, 2009. This payment reduced the loan payment obligation by \$550,000, thereby leaving only a maximum loan payment obligation of \$2,450,000 in principal and the interest and loan servicing fee. The fiscal court's financial obligation shall continue until the KIA loan has been paid in full. The fiscal court agrees to reserve sufficient funds each year in its annual budget to provide for such payments. The fiscal court's obligation for fiscal year 2015 was \$140,816.

Note 7. Employee Retirement System

A. Plan Description

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

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

Note 7. 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) 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) employer pay credit. The employer pay credit represents a portion of the employer contribution.

The county's contribution for FY 2013 was \$573,909, FY 2014 was \$556,045, and FY 2015 was \$477,894.

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.

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.

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

Note 7. 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, Ohio County's proportionate share of the net pension liability as of June 30, 2015 is:

	June 30, 2014	June 30, 2015
Non-Hazardous	\$ 4,091,000	\$ 3,616,000
Totals	<u>\$ 4,091,000</u>	<u>\$ 3,616,000</u>

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

Note 8. Deferred Compensation

On November 25, 1985, the Ohio 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 9. Health Reimbursement Account/Flexible Spending Account

The Ohio County Fiscal Court established a flexible spending account during fiscal year 2010 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 \$500 - \$2,500 each year, depending on type of plan chosen, to pay for qualified medical expenses. Employees may also contribute additional pre-tax funds through payroll deduction.

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

Note 10. Insurance

For the fiscal year ended June 30, 2015, Ohio 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 11. Landfill

The Ohio County Fiscal Court holds the permit for the landfill, known as the Ohio County Balefill. The county owns the land and all capital improvements. A private company won the bid on the landfill franchise and operates and maintains the landfill. The franchise must be rebid every twenty years. The company pays the county \$1.60 per ton in tipping fees. The liability for closure and post closure cost lies with the company for 30 years after the closure of the landfill.

Note 12. Related Party Transactions

The Ohio County Fiscal Court purchased goods totaling \$310 from a company owned by the brother of the county treasurer.

The Ohio County Jail Commissary paid a total of \$500 to the jailer to store lawn mowers for the jail commissary.

Note 13. Conduit Debt

From time to time the county has issued bonds to provide financial assistance to various entities 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 Ohio 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.

OHIO COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2015

OHIO 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	\$ 3,565,300	\$ 3,565,300	\$ 4,068,022	\$ 502,722
Licenses and Permits	85,600	85,600	92,690	7,090
Intergovernmental	2,059,832	2,231,065	1,928,786	(302,279)
Charges for Services	231,750	231,750	215,536	(16,214)
Miscellaneous	885,248	1,092,248	1,053,970	(38,278)
Interest	10,925	10,925	6,272	(4,653)
Total Receipts	<u>6,838,655</u>	<u>7,216,888</u>	<u>7,365,276</u>	<u>148,388</u>
DISBURSEMENTS				
General Government	3,989,413	4,467,739	3,922,421	545,318
Protection to Persons and Property	1,505,959	1,588,078	1,525,989	62,089
General Health and Sanitation	240,526	243,839	185,155	58,684
Social Services	371,161	377,161	320,929	56,232
Recreation and Culture	577,494	600,330	468,886	131,444
Airports	116,000	116,000	81,300	34,700
Debt Service	155,249	248,247	149,144	99,103
Administration	1,403,055	1,171,905	468,776	703,129
Total Disbursements	<u>8,358,857</u>	<u>8,813,299</u>	<u>7,122,600</u>	<u>1,690,699</u>
Excess (Deficiency) of Receipts Over				
Disbursements Before Other				
Adjustments to Cash (Uses)	<u>(1,520,202)</u>	<u>(1,596,411)</u>	<u>242,676</u>	<u>1,839,087</u>
Net Change in Fund Balance	(1,520,202)	(1,596,411)	242,676	1,839,087
Fund Balance Beginning	<u>1,520,202</u>	<u>1,596,665</u>	<u>1,596,665</u>	<u>1,596,665</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 254</u>	<u>\$ 1,839,341</u>	<u>\$ 1,839,087</u>

OHIO 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	\$ 2,441,155	\$ 2,875,155	\$ 2,633,495	\$ (241,660)
Miscellaneous	45,000	45,000	320,678	275,678
Interest	8,000	8,000	3,140	(4,860)
Total Receipts	<u>2,494,155</u>	<u>2,928,155</u>	<u>2,957,313</u>	<u>29,158</u>
DISBURSEMENTS				
Roads	2,005,551	2,888,290	3,001,339	(113,049)
Debt Service	468,000	286,316	276,990	9,326
Capital Projects	120,000	257,200	59,031	198,169
Administration	810,504	668,217	367,310	300,907
Total Disbursements	<u>3,404,055</u>	<u>4,100,023</u>	<u>3,704,670</u>	<u>395,353</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(909,900)</u>	<u>(1,171,868)</u>	<u>(747,357)</u>	<u>424,511</u>
Other Adjustments to Cash (Uses)				
Borrowed Money	<u>200,000</u>	<u>200,000</u>	<u>656,466</u>	<u>(456,466)</u>
Total Other Adjustments to Cash (Uses)	<u>200,000</u>	<u>200,000</u>	<u>656,466</u>	<u>(456,466)</u>
Net Change in Fund Balance	(709,900)	(971,868)	(90,891)	880,977
Fund Balance Beginning	<u>459,900</u>	<u>721,868</u>	<u>721,868</u>	<u> </u>
Fund Balance - Ending	<u>\$ (250,000)</u>	<u>\$ (250,000)</u>	<u>\$ 630,977</u>	<u>\$ 880,977</u>

OHIO 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	\$ 2,435,000	\$ 2,435,000	\$ 2,199,980	\$ (235,020)
Miscellaneous	350,000	350,000	2,679	(347,321)
Interest	2,000	2,000	1,003	(997)
Total Receipts	<u>2,787,000</u>	<u>2,787,000</u>	<u>2,203,662</u>	<u>(583,338)</u>
DISBURSEMENTS				
General Government	1,640,220	1,984,489	995,930	988,559
Protection to Persons and Property	332,500	337,864	324,849	13,015
Recreation and Culture	39,000	44,000	35,217	8,783
Roads	475,140	840,283	664,715	175,568
Airports	2,900	2,900	1,138	1,762
Debt Service	49,529	49,529	44,457	5,072
Administration	590,571	13,061		13,061
Total Disbursements	<u>3,129,860</u>	<u>3,272,126</u>	<u>2,066,306</u>	<u>1,205,820</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(342,860)</u>	<u>(485,126)</u>	<u>137,356</u>	<u>622,482</u>
Net Change in Fund Balance	(342,860)	(485,126)	137,356	622,482
Fund Balance Beginning	<u>342,860</u>	<u>484,872</u>	<u>484,872</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (254)</u>	<u>\$ 622,228</u>	<u>\$ 622,482</u>

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

	FEDERAL/STATE GRANTS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
DISBURSEMENTS				
Protection to Persons and Property Administration	\$ 67,174	\$ 67,174	\$ 67,173	\$ 1
	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
Total Disbursements	<u>67,175</u>	<u>67,175</u>	<u>67,173</u>	<u>2</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(67,175)</u>	<u>(67,175)</u>	<u>(67,173)</u>	<u>2</u>
Net Change in Fund Balance	(67,175)	(67,175)	(67,173)	2
Fund Balance Beginning	<u>67,173</u>	<u>67,173</u>	<u>67,173</u>	<u> </u>
Fund Balance - Ending	<u>\$ (2)</u>	<u>\$ (2)</u>	<u>\$ 0</u>	<u>\$ 2</u>

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

	FOREST FIRE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 6,000	\$ 6,000	\$ 6,120	\$ 120
Interest	50	50	10	(40)
Total Receipts	<u>6,050</u>	<u>6,050</u>	<u>6,130</u>	<u>80</u>
DISBURSEMENTS				
Protection to Persons and Property	6,000	6,000	2,785	3,215
Administration	50	1,537		1,537
Total Disbursements	<u>6,050</u>	<u>7,537</u>	<u>2,785</u>	<u>4,752</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		<u>(1,487)</u>	<u>3,345</u>	<u>4,832</u>
Net Change in Fund Balance		(1,487)	3,345	4,832
Fund Balance Beginning		<u>1,487</u>	<u>1,487</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,832</u>	<u>\$ 4,832</u>

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

	LANDFILL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Charges for Services	\$ 70,000	\$ 70,000	\$ 77,383	\$ 7,383
Interest	500	500	664	164
Total Receipts	<u>70,500</u>	<u>70,500</u>	<u>78,047</u>	<u>7,547</u>
DISBURSEMENTS				
General Health and Sanitation	344,634	344,634	140,816	203,818
Administration		58		58
Total Disbursements	<u>344,634</u>	<u>344,692</u>	<u>140,816</u>	<u>203,876</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(274,134)</u>	<u>(274,192)</u>	<u>(62,769)</u>	<u>211,423</u>
Net Change in Fund Balance	(274,134)	(274,192)	(62,769)	211,423
Fund Balance Beginning	<u>274,134</u>	<u>274,192</u>	<u>274,192</u>	<u>211,423</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 211,423</u>	<u>\$ 211,423</u>

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

	OCEDA FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$ -	\$ 150,000	\$ 3,693	\$ (146,307)
Interest			68	68
Total Receipts		150,000	3,761	(146,239)
DISBURSEMENTS				
General Government	100,000	250,000	50,000	200,000
Administration		8		8
Total Disbursements	100,000	250,008	50,000	200,008
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(100,000)	(100,008)	(46,239)	53,769
Net Change in Fund Balance	(100,000)	(100,008)	(46,239)	53,769
Fund Balance Beginning	100,000	100,008	100,013	5
Fund Balance - Ending	\$ 0	\$ 0	\$ 53,774	\$ 53,774

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

	WATERLINE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Charges for Services	\$ 70,000	\$ 70,000	\$ 77,383	\$ 7,383
Interest	500	500	119	(381)
Total Receipts	<u>70,500</u>	<u>70,500</u>	<u>77,502</u>	<u>7,002</u>
DISBURSEMENTS				
General Health and Sanitation	70,500	109,766	93,775	15,991
Administration	39,266			
Total Disbursements	<u>109,766</u>	<u>109,766</u>	<u>93,775</u>	<u>15,991</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(39,266)</u>	<u>(39,266)</u>	<u>(16,273)</u>	<u>22,993</u>
Net Change in Fund Balance	(39,266)	(39,266)	(16,273)	22,993
Fund Balance Beginning	<u>39,266</u>	<u>39,266</u>	<u>39,274</u>	<u>8</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 23,001</u>	<u>\$ 23,001</u>

OHIO COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2015

Note 1. Budgetary Information

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

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

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

Note 2. Excess of Disbursements Over Appropriations

Roads disbursements in the road fund exceeded budgeted appropriations by \$113,049.

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

OHIO COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2015

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 1,312,976	\$	\$	\$ 1,312,976
Land Improvements	56,400			56,400
Buldings and Building Improvements	6,002,144			6,002,144
Equipment	2,436,687	211,122	63,125	2,584,684
Vehicles	1,710,988	263,325		1,974,313
Infrastructure	5,001,228	839,381		5,840,609
Total Capital Assets	<u>\$ 16,520,423</u>	<u>\$ 1,313,828</u>	<u>\$ 63,125</u>	<u>\$ 17,771,126</u>

OHIO 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 and Land Improvements	\$ 20,000	10-60
Buildings	\$ 50,000	10-75
Building Improvements	\$ 25,000	10-75
Equipment	\$ 20,000	3-25
Vehicles	\$ 20,000	3-25
Infrastructure	\$ 50,000	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***



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable David Johnston, Ohio County Judge/Executive
Members of the Ohio 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 Ohio County Fiscal Court for the fiscal year ended June 30, 2015, and the related notes to the financial statement which collectively comprise the Ohio County Fiscal Court's financial statement and have issued our report thereon dated August 18, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Ohio 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 Ohio County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Ohio 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 deficiencies in internal control that we consider to be material weaknesses.

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 deficiencies described in the accompanying comments and recommendations as items 2015-001, 2015-002, 2015-003, and 2015-004 to be material weaknesses.



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 Ohio County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying comments and recommendations as items 2015-004, 2015-005, and 2015-006.

County Jailer's Responses to Findings

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

Purpose of this Report

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

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

August 18, 2016

**OHIO COUNTY
COMMENTS AND RECOMMENDATIONS**

For The Year Ended June 30, 2015

OHIO COUNTY
COMMENTS AND RECOMMENDATIONS

Fiscal Year Ended June 30, 2015

FINANCIAL STATEMENT FINDINGS:

2015-001 The Ohio County Jail Lacks Adequate Controls Over Commissary Transactions And Inmate Fees

The Ohio County Jail lacks adequate internal controls over commissary transactions and inmate fees. The jailer prepares deposits, prepares checkout sheets for inmate fees, handles cash collected, and approves and signs commissary checks. Cash is collected by all deputies with only manual written receipts as documentation. No ledgers are being maintained to track inmate fees charged or collected. During review of internal controls, auditors also noted no key controls in place to prevent the misappropriation of assets and inaccurate financial reporting.

This lack of internal controls is a result of a limited budget, which restricts the number of qualified employees the fiscal court can hire for accounting functions. Without the proper internal controls, the jailer creates the opportunity for undetected misappropriation of assets and inaccurate financial reporting. Good internal controls dictate that duties over the various accounting functions such as preparation of deposits, checkout sheet preparation, collection of cash, and preparation of checks be segregated in order to lower the risk of undetected misappropriation of assets and inaccurate financial reporting. Good internal controls also dictate that accurate and sufficient records be maintained in order to ensure all fees collected are deposited by the county treasurer. We recommend the Ohio County Jail implement internal controls over commissary transactions and inmate fees collected.

Judge/Executive David Johnston's Response: The official did not respond.

Jailer Gerry Wright's Response: We are working with jail tracker to fix software problems, and Microsoft Excel.

2015-002 The Ohio County Jail Did Not Properly Utilize Accounting Software

The Ohio County Jail has purchased accounting software; however, the jail employees are not utilizing the accounting software properly. The accounting software can be used to maintain accounting records such as receipts and disbursements ledgers, maintain inmate accounts, generate reports showing fees collected and owed to the fiscal court, as well as other functions. However, at this time, the jail is not using the software to maintain any accounting records. During testing, auditors also noted that inmate contracts were not properly maintained in the accounting software. When a payment is made on an inmate's contract, the jail is unable to generate a report that documents what has been paid on the contract.

According to the jailer, the jail has been having issues with the accounting software. He feels that the system is not doing everything that he needs it to do. By not properly utilizing the accounting software, the jail has not maintained accurate accounting records. Good internal controls dictate that the jail maintain accurate accounting records and ensure all fees are being collected and recorded properly. We recommend that the Ohio County Jail properly utilize the accounting software and maintain proper accounting records.

Judge/Executive David Johnston's Response: The official did not respond.

Jailer Gerry Wright's Response: Is being corrected every day. We will have jail tracker training on account issues and Jail Tracker staff will conduct said training.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2015-003 The Ohio County Jail Did Not Maintain Inmate Reports

The Ohio County Jail did not maintain inmate reports to document fees paid by the inmates. If the inmate does not get work release then the jail does not maintain any reports showing what fees were paid by the inmate. The only supporting documentation maintained by the jail for these inmates is the copy of the receipt written when the fee was paid. Inmate reports were not maintained because the jail employees are not properly utilizing the accounting software. When inmates made payments on their contracts, the balance owed is decreased in the accounting software; however, the jail employees are not recording the receipt in the accounting software. By not maintaining inmate reports, there is no supporting documentation to show how much the inmates have paid. Inmates could pay an incorrect amount or not pay enough. Good internal controls dictate that proper records are maintained to ensure that all inmate fees are paid and that accurate amounts are paid. We recommend that the Ohio County Jail maintain proper inmate reports.

Judge/Executive David Johnston's Response: The official did not respond.

Jailer Gerry Wright's Response: We are working on keeping better document reports.

2015-004 The Ohio County Fiscal Court Had Weak Internal Controls Over Golf Course Receipts And Did Not Require Daily Deposits

The Ohio County Fiscal Court has a lack of adequate controls over the off-site collections of golf course receipts. The golf course manager was preparing receipt check out sheets that were not monitored by the fiscal court. Receipts were not issued to individuals at the golf course. Batched receipts were not attached to the checkout sheets. Detailed checkout sheets were not prepared daily. There were voids/refunds every day with no supporting documentation of the reason for the void/refund. Additionally, deposits were not made daily. A lack of adequate internal controls over off-site collections at the golf course increased the risk that cash could be misappropriated. Strong internal controls are essential for providing protection against fraud and errors, and to protect employees in their normal course of duty. KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. The Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual* requires deposits be made daily. We recommend internal controls be strengthened for decentralized golf course receipts. We recommend that golf course receipts collected at off-site locations be deposited daily and be properly supported with batched receipts. Additionally, we recommend that all voided transactions be properly supported and all refunds be made by check at the county treasurer's office.

Judge/Executive David Johnston's Response: The official did not respond.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2015-005 The Ohio County Fiscal Court's Capital Asset Schedule Was Inaccurate

The county did not record all capital assets and listed regular inventory items on their capital asset schedule. The county keeps a rolling inventory list with all items that are insured. This list is what was provided as a capital asset schedule. Auditors recommended adjustments to increase infrastructure by \$839,381 and equipment by \$210,416. These adjustments were needed to reflect assets that had not been included in the beginning balance or additions. The county was keeping this list to stay updated with the insurance company, and assumed that the listing is what was expected for a capital asset schedule. The effect of this lack of adequate internal controls has led to improper reporting of the county's capital assets. KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. According to the Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual*, capital asset records are necessary for proper asset valuation, adequate and accurate insurance coverage, internal control, and long range planning for property placement. We recommend that the fiscal court maintain up to date capital asset records and ensure that these records are accurate.

Judge/Executive David Johnston's Response: The official did not respond.

2015-006 The Ohio County Jail Did Not Make Daily Deposits Or Submit Fees To The County Treasurer Timely

The Ohio County Jail did not deposit inmate fees daily or submit these fees to the county treasurer timely. Auditors tested receipts collected from January 5, 2015 through January 9, 2015. These receipts were not deposited into the bank by the Ohio County Jail. They were batched with receipts collected January 5, 2015 through January 19, 2015 then turned over and deposited into the jail fund by the county treasurer on February 23, 2015. Auditors also noted one instance in which receipts collected from August 25, 2014 through September 6, 2014 were not turned over to the county treasurer until March 24, 2016. The jail was not making daily deposits because they did not maintain a bank account for inmate fees. They have been depositing these fees collected directly into the jail fund for several years. According to the jailer, the batched receipts were not turned over to the treasurer timely because he only has a part-time bookkeeper so he prepares the checkout sheets along with his other duties. By not depositing the receipts into a bank account or turning them over to the treasurer daily, the jailer is creating the opportunity for undetected misappropriation of assets. KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. According to the Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual*, those standards include performing daily check-out procedures and making daily deposits intact to a federally insured banking institution. We recommend that the Ohio County Jail deposit all receipts collected into the bank daily or turn them over to the county treasurer daily to be deposited.

Judge/Executive David Johnston's Response: The official did not respond.

Jailer Gerry Wright's Response: This is being done Monday through Friday every week.

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

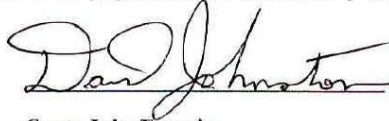
OHIO COUNTY FISCAL COURT

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

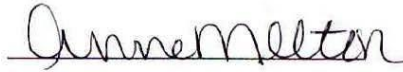
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
OHIO COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2015

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

A handwritten signature in cursive script, appearing to read "Dan Johnston", written over a horizontal line.

County Judge/Executive

A handwritten signature in cursive script, appearing to read "James Melton", written over a horizontal line.

County Treasurer

