

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

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



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

June 30, 2015

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

Financial Condition:

The Shelby County Fiscal Court had total receipts of \$21,404,474 and disbursements of \$20,594,275 in fiscal year 2015. This resulted in a total ending fund balance of \$8,328,376, which is an increase of \$810,199 from the prior year.

Report Comments:

- 2015-001 The Fiscal Court Lacks Adequate Segregation Of Duties And Should Improve Internal Controls Over Payroll
- 2015-002 The Fiscal Court Did Not Implement A Capital Asset Inventory Policy Or Maintain A Complete And Accurate Capital Asset Schedule
- 2015-003 The Fiscal Court Lacks Adequate Segregation Of Duties And Should Improve Internal Controls Over Disbursements
- 2015-004 The Fiscal Court Did Not Have Adequate Controls Over Credit Card Purchases
- 2015-005 The Fiscal Court Had Negative Bank Balances During The Fiscal Year
- 2015-006 The Fiscal Court Should Resolve The Negative Payroll Account Balance

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 Dan Ison, Shelby County Judge/Executive
Honorable Rob Rothenburger, Former Shelby County Judge/Executive
Members of the Shelby 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 Shelby County Fiscal Court, for the year ended June 30, 2015, and the related notes to the financial statement which collectively comprise the Shelby 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 Shelby 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 Shelby 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 Shelby 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 Shelby County Fiscal Court. The budgetary comparison schedules and capital asset schedule are presented for purposes of additional analysis and are not a required part of the financial statement, however they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

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

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 2016 on our consideration of the Shelby 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 Shelby 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 Lacks Adequate Segregation Of Duties And Should Improve Internal Controls Over Payroll
- 2015-002 The Fiscal Court Did Not Implement A Capital Asset Inventory Policy Or Maintain A Complete And Accurate Capital Asset Schedule
- 2015-003 The Fiscal Court Lacks Adequate Segregation Of Duties And Should Improve Internal Controls Over Disbursements
- 2015-004 The Fiscal Court Did Not Have Adequate Controls Over Credit Card Purchases
- 2015-005 The Fiscal Court Had Negative Bank Balances During The Fiscal Year
- 2015-006 The Fiscal Court Should Resolve The Negative Payroll Account Balance

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

August 10, 2016

SHELBY COUNTY OFFICIALS

For The Year Ended June 30, 2015

Fiscal Court Members:

Rob Rothenburger	County Judge/Executive
Tony Carriss	Magistrate
Danny Eades	Magistrate
Bill Hedges	Magistrate
Eddie Kingsolver	Magistrate
Michael Miller	Magistrate
Hubert Pollett	Magistrate
Michael Riggs	Magistrate

Other Elected Officials:

Hart Megibben	County Attorney
Bobby Waits	Jailer
Sue Carole Perry	County Clerk
Lowery Miller	Circuit Court Clerk
Mike Armstrong	Sheriff
Brad McDowell	Property Valuation Administrator
Ronald Walldridge, II	Coroner

Appointed Personnel:

Paula Webb	County Treasurer
Rusty Newton	Deputy Judge/Executive
Rusty Newton	Occupational Tax Administrator
Sheila Quijas	Finance Officer

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

For The Year Ended June 30, 2015

SHELBY 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	\$ 7,833,462	\$	\$
Excess Fees	498,568		
Licenses and Permits	133,739		
Intergovernmental	686,819	1,647,746	2,766,005
Charges for Services	12,970		128,769
Miscellaneous	3,120,819	11,947	206,080
Interest	14,469	5,016	68
Total Receipts	<u>12,300,846</u>	<u>1,664,709</u>	<u>3,100,922</u>
DISBURSEMENTS			
General Government	3,315,904		
Protection to Persons and Property	727,379	1,440	2,605,079
General Health and Sanitation	593,708		
Social Services	208,796		
Recreation and Culture	593,009		
Roads		2,053,663	
Debt Service	524,412		
Administration	3,009,856	396,678	978,390
Total Disbursements	<u>8,973,064</u>	<u>2,451,781</u>	<u>3,583,469</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>3,327,782</u>	<u>(787,072)</u>	<u>(482,547)</u>
Other Adjustments to Cash (Uses)			
Transfers From Other Funds		792,000	402,000
Transfers To Other Funds	(2,603,383)		
Total Other Adjustments to Cash (Uses)	<u>(2,603,383)</u>	<u>792,000</u>	<u>402,000</u>
Net Change in Fund Balance	724,399	4,928	(80,547)
Fund Balance - Beginning (Restated)	4,392,293	1,252,632	99,305
Fund Balance - Ending	<u>\$ 5,116,692</u>	<u>\$ 1,257,560</u>	<u>\$ 18,758</u>
Composition of Fund Balance			
Bank Balance	\$ 5,310,216	\$ 1,313,556	\$ 43,741
Less: Outstanding Checks	(193,524)	(55,996)	(24,983)
Certificates of Deposits			
Fund Balance - Ending	<u>\$ 5,116,692</u>	<u>\$ 1,257,560</u>	<u>\$ 18,758</u>

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

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

<u>Budgeted Funds</u>			
<u>Local Government Economic Assistance Fund</u>	<u>Ambulance Fund</u>	<u>Special Fund</u>	<u>KaCoLT Fund</u>
\$	\$	\$	\$
87,431	10,000		7,680
	2,259,502		
	8,509		
465	16	345	
<u>87,896</u>	<u>2,278,027</u>	<u>345</u>	<u>7,680</u>
	2,141,258		
			7,680
	990,726		
	<u>3,131,984</u>		<u>7,680</u>
<u>87,896</u>	<u>(853,957)</u>	<u>345</u>	
	905,200		
	<u>905,200</u>		
87,896	51,243	345	
442,685	20,770	261,719	46
<u>\$ 530,581</u>	<u>\$ 72,013</u>	<u>\$ 262,064</u>	<u>\$ 46</u>
\$ 530,581	\$ 138,543	\$ 262,064	\$ 46
	(66,530)		
<u>\$ 530,581</u>	<u>\$ 72,013</u>	<u>\$ 262,064</u>	<u>\$ 46</u>

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

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

	Unbudgeted Funds		
	General Obligation Refunding Bond Fund	Justice Center Public Properties Fund	Jail Commissary Fund
RECEIPTS			
Taxes	\$	\$	\$
Excess Fees			
Licenses and Permits			
Intergovernmental		1,628,639	
Charges for Services			
Miscellaneous			332,656
Interest		9	
Total Receipts	<u> </u>	<u>1,628,648</u>	<u>332,656</u>
DISBURSEMENTS			
General Government			
Protection to Persons and Property			
General Health and Sanitation			
Social Services			
Recreation and Culture			312,510
Roads			
Debt Service	503,921	1,628,639	
Administration			
Total Disbursements	<u>503,921</u>	<u>1,628,639</u>	<u>312,510</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(503,921)</u>	<u>9</u>	<u>20,146</u>
Other Adjustments to Cash (Uses)			
Transfers From Other Funds	504,183		
Transfers To Other Funds			
Total Other Adjustments to Cash (Uses)	<u>504,183</u>		
Net Change in Fund Balance	262	9	20,146
Fund Balance - Beginning (Restated)	137,388	79,408	259,798
Fund Balance - Ending	<u>\$ 137,650</u>	<u>\$ 79,417</u>	<u>\$ 279,944</u>
Composition of Fund Balance			
Bank Balance	\$ 137,650	\$ 79,417	\$ 301,255
Less Outstanding Checks			(21,311)
Certificates of Deposits			
Ending Fund Balance	<u>\$ 137,650</u>	<u>\$ 79,417</u>	<u>\$ 279,944</u>

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

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

Private Purpose Trust Fund	Total Funds
King's Daughter Fiscal Court Scholarship Fund	
\$	\$ 7,833,462
	498,568
	133,739
	6,834,320
	2,401,241
	3,680,011
2,745	23,133
<u>2,745</u>	<u>21,404,474</u>
	3,315,904
	5,475,156
	593,708
1,000	209,796
227	905,746
	2,053,663
	2,664,652
	5,375,650
<u>1,227</u>	<u>20,594,275</u>
<u>1,518</u>	<u>810,199</u>
	2,603,383
	<u>(2,603,383)</u>
1,518	810,199
<u>572,133</u>	<u>7,518,177</u>
<u>\$ 573,651</u>	<u>\$ 8,328,376</u>
\$ 43,415	\$ 8,160,484
	(362,344)
<u>530,236</u>	<u>530,236</u>
<u>\$ 573,651</u>	<u>\$ 8,328,376</u>

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

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SHELBY COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2015

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statement of Shelby County includes all budgeted and unbudgeted funds under the control of the Shelby 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 Shelby County 109 Taxing District and the Shelby County E911 Advisory Board would have been included in the reporting entity under accounting principles generally accepted in the United State of America (GAAP) as established by the Government Accounting Standards Board. However under the regulatory basis they are no longer are required components of the reporting entity. Audits of these entities can be obtained from the Shelby Fiscal Court: 419 East Washington Street, Shelbyville, KY 40065.

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.

SHELBY 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.

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.

Ambulance Fund - The primary purpose of this fund is to account for ambulance disbursements of the county. The primary source of receipts for this fund is charges for services.

Special Fund - The primary purpose of this fund is to account for special projects of the county. The primary sources of receipts for this fund are federal and state grants.

KACoLT Fund - The primary purpose of this fund is to account for debt payments made by Mt. Eden Fire District. The primary source of receipts for this fund is payments from Mt. Eden Fire District.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

General Obligation Refunding Bond Fund - The purpose of this fund is to account for debt service requirements of the general obligation refunding bond, Series 2012. The Department for Local Government does not require the fiscal court to report or budget these funds.

Justice Center Public Properties 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.

Kings Daughter - Fiscal Court Scholarship Fund - This fund was established to provide scholarships for students that plan on choosing a profession in the medical field.

SHELBY 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 this fund.

The State Local Finance Officer does not require the justice center public properties fund or the general obligation bond fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from these funds annually.

E. Shelby County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Shelby 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 Shelby County Fiscal Court.

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

F. Deposits

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 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.

SHELBY 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	Total Transfers In
Road Fund	\$ 792,000	\$ 792,000
Jail Fund	402,000	402,000
Ambulance Fund	905,200	905,200
General Obligation Bond Fund	504,183	504,183
Total Transfers Out	<u>\$ 2,603,383</u>	<u>\$ 2,603,383</u>

Reason for transfers:

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

Note 4. Private Purpose Trust Fund

Private purpose trust funds are used to report all trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

The fiscal court has the following private purpose trust fund:

Kings Daughter - Fiscal Court Scholarship Fund - This fund was established November 30, 1987 by the Shelby County Fiscal Court after the selling of Kings Daughter Hospital in Shelbyville, KY. Some of the funds were placed in interest bearing accounts and all interest received is to be used toward providing scholarships for students that plan on choosing a profession in the medical field. The Kings Daughter – Fiscal Court Scholarship Committee is incorporated and is governed by by-laws that were established and approved by its original seven committee members in 1987. The balance of the scholarship fund at June 30, 2015 was \$573,651.

Note 5. Long-term Debt

A. General Obligation Refunding Bonds

On December 19, 2012, the Shelby County Fiscal Court issued \$6,685,000 of General Obligation Refunding Bonds, Series 2012, for the purpose of refunding the 2005 lease for the Detention Center and the 2010 lease for the Family Activity Center. These bonds were issued at varying interest rates ranging from 1% to 3%, and will be retired March 2, 2027. Interest payments are due on April 1 and interest and principal payments are due on October 1. Principal payment requirements and scheduled interest for the retirement of the bonds are as follows:

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

Note 5. Long-term Debt (Continued)

A. General Obligation Refunding Bonds (Continued)

Fiscal Year Ended June 30	Principal	Scheduled Interest
2016	\$ 430,833	\$ 119,833
2017	435,833	115,525
2018	440,000	111,167
2019	441,667	106,033
2020	451,667	97,200
2021-2025	2,415,000	339,925
2026-2027	<u>1,004,167</u>	<u>42,425</u>
Totals	<u>\$ 5,619,167</u>	<u>\$ 932,108</u>

B. Revenue Bonds

1) Series 2008

On November 1, 2008, the Shelby County Public Corporation issued \$9,750,000 of First Mortgage Revenue Bonds, Series 2008, for the purpose of funding the construction of a Justice Center. The Public Properties Corporation entered into an agreement with the Administrative Office of the Courts (AOC) for the payments to be made by AOC while being tenants of the building. These bonds were issued at varying interest rates ranging from 3.50% to 4.25% and will be retired by November 1, 2029. Interest payments are due on May 1 and interest and principal payments are due on November 1. Principal payment requirements and scheduled interest for the retirement of the bonds are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2016	\$ 390,000	\$ 329,500
2017	405,000	315,850
2018	420,000	301,068
2019	435,000	284,898
2020	455,000	267,498
2021-2025	2,585,000	1,036,658
2026-2030	<u>3,300,000</u>	<u>441,788</u>
Totals	<u>\$ 7,990,000</u>	<u>\$ 2,977,260</u>

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

Note 5. Long-term Debt (Continued)

B. Revenue Bonds (Continued)

2) Series 2009

On March 1, 2009, the Shelby County Public Corporation issued \$12,285,000 of First Mortgage Revenue Bonds, Series 2009, for the purpose of funding the construction of a Justice Center. The Public Properties Corporation entered into an agreement with the Administrative Office of the Courts (AOC) for the payments to be made by AOC while being tenants of the building. These bonds were issued at varying interest rates ranging from 2% to 4.4%, and will be retired by November 1, 2028. Interest payments are due May 1 and interest and principal payments are due November 1. Principal payment requirements and scheduled interest for the retirement of the bonds are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2016	\$ 545,000	\$ 371,451
2017	565,000	354,519
2018	580,000	336,336
2019	600,000	317,011
2020	620,000	296,261
2021-2025	3,490,000	1,100,339
2026-2029	<u>3,370,000</u>	<u>303,075</u>
Totals	<u>\$ 9,770,000</u>	<u>\$ 3,078,992</u>

C. Financing Obligations

1) Mt. Eden Fire District

On September 11, 2000, Shelby County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) Program for \$98,000. The purpose of the lease was for the construction of a firehouse. The project was subleased to the Mt. Eden Fire District. The Mt. Eden Fire District gives the county enough money to cover the annual debt service payments required. The county then pays this money to the trustee. The balance of the receivable and the liability at June 30, 2015 was \$59,000.

Fiscal Year Ended June 30	Principal	Scheduled Interest
2016	\$ 4,000	\$ 3,412
2017	4,000	3,166
2018	5,000	2,863
2019	5,000	2,554
2020	5,000	2,246
2021-2025	29,000	6,008
2026	<u>7,000</u>	<u>36</u>
Totals	<u>\$ 59,000</u>	<u>\$ 20,285</u>

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

Note 5. Long-term Debt (Continued)

C. Financing Obligations (Continued)

2) Park Building HVAC System

On May 15, 2014, Shelby County Fiscal Court entered into a lease agreement for \$425,000 with the Kentucky Association of Counties Leasing Trust (KACoLT) Program for the purchase of an HVAC system for a building owned by the County that is being used by the Shelbyville Shelby County Parks and Recreation Commission (Commission). The county does not have a formal agreement with the Commission; however, the Commission has agreed to make monthly lease payments directly to the lender. The term for this agreement is seven years with the balance to be paid in full May 20, 2021. The lease has a fixed interest rate of 3.54% per annum. Principal and interest requirements for the lease are as follows:

Fiscal Year Ended June 30	Principal	Interest
2016	\$ 57,600	\$ 11,988
2017	59,198	9,923
2018	60,840	7,801
2019	62,528	5,620
2020	64,264	3,378
2021	60,473	1,074
Totals	<u>\$ 364,903</u>	<u>\$ 39,784</u>

2) EMS Land

On October 9, 2011, Shelby County Fiscal Court entered into a lease agreement for \$500,000 with the Kentucky Association Of Counties Leasing Trust for the purchase of land for EMS. The lease term for this agreement was 15 years with the balance to be paid in full November 26, 2026. However, the fiscal court paid the lease off during FY15 and as of June 30, 2015, there was no remaining balance.

D. 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
General Obligation Bonds	\$ 6,045,000	\$	\$ 425,833	\$ 5,619,167	\$ 430,833
Revenue Bonds	18,665,000		905,000	17,760,000	935,000
Financing Obligations	881,289		457,386	423,903	61,600
Total Long-term Debt	<u>\$ 25,591,289</u>	<u>\$</u>	<u>\$ 1,788,219</u>	<u>\$23,803,070</u>	<u>\$ 1,427,433</u>

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

Note 6. Commitments and Contingencies

The county is involved in multiple lawsuits that arose from the normal course of doing business. While individually they may not be significant, in the aggregate, they 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 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 duty positions in the county. The Plan provides for retirement, disability and death benefits to plan members. Retirement benefits may be extended to beneficiaries of the plan members under certain circumstances. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute five percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute six percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 17.67 percent.

Hazardous covered employees are required to contribute eight percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute nine percent of their salary to be allocated as follows: eight percent will go to the member's account and one percent will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 34.31 percent.

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 1% 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 \$1,746,505, FY 2014 was \$1,764,099, and FY 2015 was \$1,778,162.

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

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

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

Note 7. Employee Retirement System (Continued)

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.

Hazardous employees whose participation began on or after July 1, 2003, earn 15 dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, such employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

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

B. Net Pension Liability

As promulgated by GASB Statement No. 68 the total pension liability for CERS was determined by an actuarial valuation as of June 30, 2014. The total net pension liability for all employers participating in CERS was determined by an actuarial valuation as of June 30, 2014, measured as of the same date and is as follows: non-hazardous \$3,244,377,000 and hazardous \$1,201,825,000, for a total net pension liability of \$4,446,202,000 as of June 30, 2014. Based on these requirements, Shelby County's proportionate share of the net pension liability as of June 30, 2015 is:

	<u>June 30, 2014</u>	<u>June 30, 2015</u>
Hazardous	\$ 8,872,000	\$ 7,944,000
Non-Hazardous	<u>4,645,000</u>	<u>4,105,000</u>
Totals	<u>\$ 13,517,000</u>	<u>\$ 12,049,000</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.

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

Note 8. Deferred Compensation

On February 24, 2000, the Shelby 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 permits 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. Flexible Spending Account

The Shelby County Fiscal Court established a flexible spending account in 2006 to provide employees an additional health benefit. Employees are allowed to have a maximum of \$5,000 withheld pre-tax from their paychecks to use toward healthcare or dependent care expenses. The FSA is administered through the state's Kentucky Employee's Health Plan, along with their health insurance.

Note 10. Insurance

For the fiscal year ended June 30, 2015, Shelby 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. Related Party Transactions

The Shelby County Fiscal Court makes monthly payments to a non-profit corporation. The non-profit corporation rents a building for commercial use to provide county services that is owned by a magistrate. The total paid to the non-profit corporation for the year ended June 30, 2015, was \$22,325.

Note 12. 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 Shelby 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. The amount outstanding as of June 30, 2015 is not reasonably determinable.

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

Note 13. Prior Period Adjustments

The beginning cash balances of the general fund, road fund, jail fund, and ambulance fund were restated as follows:

General Fund:

Ending Cash Balance Prior Year	\$	4,391,902
Prior Year Voided Checks		<u>391</u>
Ending Cash Balance Prior Year (adjusted)	\$	<u><u>4,392,293</u></u>

Road Fund:

Ending Cash Balance Prior Year	\$	1,250,892
Prior Year Voided Checks		<u>1,740</u>
Ending Cash Balance Prior Year (adjusted)	\$	<u><u>1,252,632</u></u>

Jail Fund:

Ending Cash Balance Prior Year	\$	98,492
Prior Year Voided Checks		<u>813</u>
Ending Cash Balance Prior Year (adjusted)	\$	<u><u>99,305</u></u>

Ambulance Fund:

Ending Cash Balance Prior Year	\$	20,232
Prior Year Voided Checks		<u>538</u>
Ending Cash Balance Prior Year (adjusted)	\$	<u><u>20,770</u></u>

Note 14. Payroll Revolving Account

The reconciled balance of the payroll revolving bank account as of June 30, 2015 was (\$33,360). This negative balance was due to errors made in payroll calculations during fiscal year 2015 and earlier.

SHELBY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2015

SHELBY 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	\$ 6,438,600	\$ 6,438,600	\$ 7,833,462	\$ 1,394,862
Excess Fees	258,794	258,794	498,568	239,774
Licenses and Permits	115,250	115,250	133,739	18,489
Intergovernmental	603,691	686,134	686,819	685
Charges for Services	19,500	19,500	12,970	(6,530)
Miscellaneous	2,388,352	3,007,833	3,120,819	112,986
Interest	4,000	4,000	14,469	10,469
Total Receipts	9,828,187	10,530,111	12,300,846	1,770,735
DISBURSEMENTS				
General Government	3,312,733	3,584,879	3,315,904	268,975
Protection to Persons and Property	713,189	803,303	727,379	75,924
General Health and Sanitation	582,579	621,978	593,708	28,270
Social Services	239,500	254,795	208,796	45,999
Recreation and Culture	590,000	593,009	593,009	
Debt Service	601,650	958,553	524,412	434,141
Administration	3,776,373	3,701,431	3,009,856	691,575
Total Disbursements	9,816,024	10,517,948	8,973,064	1,544,884
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	12,163	12,163	3,327,782	3,315,619
Other Adjustments to Cash (Uses)				
Transfers From Other Funds				
Transfers To Other Funds	(2,943,173)	(2,943,193)	(2,603,383)	339,810
Total Other Adjustments to Cash (Uses)	(2,943,173)	(2,943,193)	(2,603,383)	339,810
Net Change in Fund Balance	(2,931,010)	(2,931,030)	724,399	3,655,429
Fund Balance Beginning (Restated)	2,931,010	2,931,030	4,392,293	1,461,263
Fund Balance - Ending	\$ 0	\$ 0	\$ 5,116,692	\$ 5,116,692

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

	ROAD FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 510,950	\$ 510,950	\$	\$ (510,950)
Intergovernmental	1,731,208	1,731,208	1,647,746	(83,462)
Miscellaneous	22,000	22,000	11,947	(10,053)
Interest	2,500	2,500	5,016	2,516
Total Receipts	<u>2,266,658</u>	<u>2,266,658</u>	<u>1,664,709</u>	<u>(601,949)</u>
DISBURSEMENTS				
Protection to Persons and Property	1,000	1,700	1,440	260
Roads	2,231,815	2,336,115	2,053,663	282,452
Administration	534,831	484,831	396,678	88,153
Total Disbursements	<u>2,767,646</u>	<u>2,822,646</u>	<u>2,451,781</u>	<u>370,865</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(500,988)</u>	<u>(555,988)</u>	<u>(787,072)</u>	<u>(231,084)</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	500,988	500,988	792,000	291,012
Total Other Adjustments to Cash (Uses)	<u>500,988</u>	<u>500,988</u>	<u>792,000</u>	<u>291,012</u>
Net Change in Fund Balance		(55,000)	4,928	59,928
Fund Balance Beginning (Restated)			<u>1,252,632</u>	<u>1,252,632</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (55,000)</u>	<u>\$ 1,257,560</u>	<u>\$ 1,312,560</u>

SHELBY 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	\$ 2,355,448	\$ 2,355,448	\$ 2,766,005	\$ 410,557
Charges for Services	167,000	167,000	128,769	(38,231)
Miscellaneous	115,000	115,000	206,080	91,080
Interest	100	100	68	(32)
Total Receipts	<u>2,637,548</u>	<u>2,637,548</u>	<u>3,100,922</u>	<u>463,374</u>
DISBURSEMENTS				
Protection to Persons and Property	2,771,808	2,771,808	2,605,079	166,729
Administration	1,155,343	1,155,343	978,390	176,953
Total Disbursements	<u>3,927,151</u>	<u>3,927,151</u>	<u>3,583,469</u>	<u>343,682</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,289,603)</u>	<u>(1,289,603)</u>	<u>(482,547)</u>	<u>807,056</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,289,603	1,289,603	402,000	(887,603)
Total Other Adjustments to Cash (Uses)	<u>1,289,603</u>	<u>1,289,603</u>	<u>402,000</u>	<u>(887,603)</u>
Net Change in Fund Balance			(80,547)	(80,547)
Fund Balance Beginning (Restated)			<u>99,305</u>	<u>99,305</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 18,758</u>	<u>\$ 18,758</u>

SHELBY 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	\$ 45,000	\$ 45,000	\$ 87,431	\$ 42,431
Interest			465	465
Total Receipts	<u>45,000</u>	<u>45,000</u>	<u>87,896</u>	<u>42,896</u>
DISBURSEMENTS				
Roads	<u>45,000</u>	<u>45,000</u>		<u>45,000</u>
Total Disbursements	<u>45,000</u>	<u>45,000</u>		<u>45,000</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			<u>87,896</u>	<u>87,896</u>
Net Change in Fund Balance			87,896	87,896
Fund Balance Beginning			<u>442,685</u>	<u>442,685</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 530,581</u>	<u>\$ 530,581</u>

SHELBY 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				
Intergovernmental	\$ 10,000	\$ 10,000	\$ 10,000	\$
Charges for Services	2,007,500	2,011,307	2,259,502	248,195
Miscellaneous	12,000	12,000	8,509	(3,491)
Interest	250	250	16	(234)
Total Receipts	<u>2,029,750</u>	<u>2,033,557</u>	<u>2,278,027</u>	<u>244,470</u>
DISBURSEMENTS				
Protection to Persons and Property Administration	2,061,921	2,141,299	2,141,258	41
	1,120,411	989,840	990,726	(886)
Total Disbursements	<u>3,182,332</u>	<u>3,131,139</u>	<u>3,131,984</u>	<u>(845)</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,152,582)</u>	<u>(1,097,582)</u>	<u>(853,957)</u>	<u>243,625</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,152,582	1,152,582	905,200	(247,382)
Total Other Adjustments to Cash (Uses)	<u>1,152,582</u>	<u>1,152,582</u>	<u>905,200</u>	<u>(247,382)</u>
Net Change in Fund Balance		55,000	51,243	(3,757)
Fund Balance Beginning (Restated)			20,770	20,770
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 55,000</u>	<u>\$ 72,013</u>	<u>\$ 17,013</u>

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

SPECIAL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Interest	\$	\$	\$ 345	\$ 345
Total Receipts			345	345
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			345	345
Net Change in Fund Balance			345	345
Fund Balance Beginning			261,719	261,719
Fund Balance - Ending	\$ 0	\$ 0	\$ 262,064	\$ 262,064

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

KACOLT LEASING TRUST FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 7,660	\$ 7,680	\$ 7,680	\$
Total Receipts	<u>7,660</u>	<u>7,680</u>	<u>7,680</u>	
DISBURSEMENTS				
Debt Service	<u>7,660</u>	<u>7,680</u>	<u>7,680</u>	
Total Disbursements	<u>7,660</u>	<u>7,680</u>	<u>7,680</u>	
Net Change in Fund Balance			46	46
Fund Balance - Beginning			<u>46</u>	<u>46</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 46</u>	<u>\$ 46</u>

SHELBY 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

The fiscal court exceeded budgeted appropriations in the ambulance fund administration line by \$886.

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

SHELBY 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	\$ 2,955,005	\$	\$	\$ 2,955,005
Buildings (Restated)	40,280,679	65,682		40,346,361
Equipment	2,682,210	33,998		2,716,208
Vehicles (Restated)	3,793,273	434,438	186,988	4,040,723
Infrastructure	14,811,039	657,663		15,468,702
 Total Capital Assets	 <u>\$ 64,522,206</u>	 <u>\$ 1,191,781</u>	 <u>\$ 186,988</u>	 <u>\$65,526,999</u>

SHELBY 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	\$ 1	N/A
Land Improvements	25,000	10-60
Buildings	50,000	10-75
Building Improvements	50,000	10-40
Machinery & Equipment	5,000	3-25
Vehicles	5,000	5
Infrastructure	30,000	10-50
Intangibles	30,000	2-40

Note 2. Capital Assets

The beginning balance for buildings was increased by \$605,965 and the beginning balance for vehicles was increased by \$27,240 due to errors in the prior year.

**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 Dan Ison, Shelby County Judge/Executive
The Honorable Rob Rothenburger, Former Shelby County Judge/Executive
Members of the Shelby 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 Shelby County Fiscal Court for the fiscal year ended June 30, 2015, and the related notes to the financial statement which collectively comprise the Shelby County Fiscal Court's financial statement and have issued our report thereon dated August 10, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Shelby 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 Shelby County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Shelby 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 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 deficiencies described in the accompanying comments and recommendations as items 2015-001, 2015-002, and 2015-003 to be 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 2015-004, 2015-005 and 2015-006 to be significant deficiencies.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Shelby 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 2015-002, 2015-004, and 2015-005.

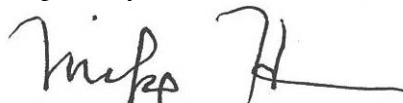
County Judge/Executive's Responses to Findings

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

August 10, 2016

**SHELBY COUNTY
COMMENTS AND RECOMMENDATIONS**

For The Year Ended June 30, 2015

SHELBY COUNTY
COMMENTS AND RECOMMENDATIONS

Fiscal Year Ended June 30, 2015

FINANCIAL STATEMENT FINDINGS:

2015-001 The Fiscal Court Lacks Adequate Segregation Of Duties And Should Improve Internal Controls Over Payroll

During approximately the first half of fiscal year 2015, the fiscal court had a lack of segregation of duties and inadequate supervisory review over payroll processing. A former employee had the responsibility of recomputing hours paid from timesheets, calculating overtime and leave time, preparing supplemental payments and withholding payments, entering data into the retirement reporting system, inputting payroll information into the accounting system, preparing ACH files, preparing payroll checks, and identifying and correcting errors.

These actions were possible because management did not implement a strong system of internal controls such as segregating duties or supervisory review. Further, the former employee had unlimited access to the payroll system allowing her to manipulate data by posting additional hours worked, altering pay rates and adding employees without detection.

The lack of adequate controls could lead to the undetected misappropriation of assets, errors and fraud and possible inaccurate reporting to federal reporting agencies.

Good internal controls dictate segregating duties to ensure no one person has the ability to commit and conceal fraud or errors. Duties should be segregated between processing, posting, check-writing, and reconciliation. Further, strong management oversight and review is necessary to help deter, prevent and detect overpayments, payment for time not worked, and processing errors. Employee access should be limited in a computer system to only the functions necessary for that employee to complete job duties. The ability to set up new employees and change pay rates should be limited to someone who does not have the ability to process payroll or create checks.

We recommend the fiscal court implement a strong internal control system by segregating duties, limiting access in the payroll system, and reviewing payroll reports timely to ensure accuracy.

County Judge/Executive's Response: We have put in place a new review system for payroll entry and review. The department heads have an electronic spreadsheet they fill in from the time cards and submit to the payroll officer (finance officer). The finance officer reconciles and enters data into the computer; once this is complete, reports are run. County treasurer reviews payroll spreadsheets submitted by department heads and reconciles to the payroll reports entered by finance officer. County treasurer then signs off and payroll is submitted.

2015-002 The Fiscal Court Did Not Implement a Capital Asset Inventory Policy Or Maintain A Complete And Accurate Capital Asset Schedules

The Shelby County Fiscal Court has not put procedures in place to ensure asset additions or asset retirements and asset disposals are accurately documented during the fiscal year. During capital asset testing, we noted six assets not removed from the insurance policy after they were retired. The auditor also noted annual inventories are requested from the departments, but there is no review or reconciliation of the inventories to the capital asset schedule to ensure accuracy

This is a repeat comment from the prior year as this has been an ongoing issue with the county not taking action to ensure compliance with the Department for Local Government's policy documented in the *County Budget Preparation and State Local Finance Officer Policy Manual*. The Department for Local Government (DLG) requires counties to maintain records for fixed assets including infrastructure, buildings, land, vehicles,

SHELBY COUNTY
 COMMENTS AND RECOMMENDATIONS
 Fiscal Year End June 30, 2015
 (Continued)

FINANCIAL STATEMENT FINDINGS (CONTINUED):

2015-002 The Fiscal Court Did Not Implement a Capital Asset Inventory Policy Or Maintain A Complete And Accurate Capital Asset Schedules (Continued)

equipment and other items purchased or received exceeding capitalization threshold determined by the fiscal court.

Not maintaining an accurate list of assets could result in new assets not being insured and retired assets not being removed from insurance. Further, the capital asset schedule included in the financial statements could be materially incorrect.

Good internal controls over compliance dictate adequate supporting documentation be maintained for assets and the capital asset schedule be updated regularly throughout the year to ensure accurate information is recorded.

In order to strengthen controls over capital assets and infrastructure, we recommend the fiscal court implement a capital asset inventory policy, conduct annual inventories and require departments to submit completed inventory sheets to the county judge/executive's office. The submitted inventory should then be reconciled to the capital asset schedule. If the judge/executive's office finds that notifications of new or disposed capital assets are not submitted from departments timely, a compensating control could include review of the fiscal court minutes, as they typically document purchases and disposals.

County Judge/Executive's Response: Once the item is surplus and transferred, the human resource director will review copies. The human resource director will then turn into KACO to remove from inventory listing. A follow-up will be made with KACO to ensure it was taken off inventory, by the human resource director.

2015-003 The Fiscal Court Lacks Adequate Segregation Of Duties And Should Improve Internal Controls Over Disbursements

During fiscal year 2015, the fiscal court had a lack of segregation of duties and inadequate supervisory review in the disbursements process. One former employee had the ability to procure goods and services, write purchase orders, use credit cards, pay invoices, post transactions, and write checks with little management oversight or review. Further, this former employee could create and change vendor information in the accounting system. This former employee prepared, approved and wrote checks to herself and her spouse during fiscal year 2014 and the first half of fiscal year 2015. There was no valid supporting documentation for these payments. In addition, this former employee made numerous errors during disbursements processing that went undetected by the county's internal control system.

Management lacked established, consistent policies and procedures for internal controls over disbursements. No supervisory review was performed to ensure all payments made were for valid purchases. The purchase order system in use acted as more of a purchase documentation system. Purchases were made before purchase orders are written, as evidenced by the dates on receipts being earlier than the dates on the purchase orders. Purchase orders were not consistently used for every disbursement. There was no system of tracking checks to ensure checks were not used and signed between batches.

As a result of the weaknesses, auditors noted the following issues during disbursements testing:

- Purchase orders were often prepared, completed, issued, and approved by the former employee. Many of these appeared to have the county judge/executive's name or initials written on the approval line by someone other than him.

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

FINANCIAL STATEMENT FINDINGS (CONTINUED):

2015-003 The Fiscal Court Lacks Adequate Segregation Of Duties And Should Improve Internal Controls Over Disbursements (Continued)

- Sufficient supporting documentation was not available for every purchase. Some payments were made from copies of invoices and some payments had no invoices or no purchase order attached.
- Invoices were paid over 30 days past the date of receipt, which could result in late charges, interest, and late fees.

Management has a responsibility to design and implement internal controls that provide reasonable assurance of safeguarding resources against waste, fraud, and abuse. Good internal controls provide reasonable assurance that the recording, processing, and reporting of data is properly performed and that if errors or fraud occur, detective controls will bring these to management's attention. Management should be sufficiently involved with day to day operations, by providing strong oversight and review, to mitigate the risks inherent in certain accounting areas. Incompatible duties should be segregated to assure that no one person has the ability to commit and conceal fraudulent activity or to process errors that go undetected.

Good internal controls dictate that adequate supporting documentation and purchase orders be maintained for all disbursements. All vendor invoices, receipts, and statements should be maintained and agree with corresponding purchase orders and reports. KRS 65.140(2) requires all bills for goods and services to be paid in full within thirty (30) working days of receiving a vendor invoice. KRS 424.260 states when the county purchases, makes a contract, lease, or other agreement involving an expenditure of more than \$20,000, they must advertise for bids.

KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. In the *Instructional Guide for County Budget Preparation and State Local Finance Officer Policy Manual*, purchase guidelines are prescribed by the State Local Finance Officer, including:

1. Purchases shall not be made without approval by the judge/executive (or designee), and/or a department head.
2. Purchase requests shall indicate the proper appropriation account number to which the claim will be posted.
3. Purchase requests shall not be approved in an amount that exceeds the available line item appropriation unless the necessary and appropriate transfers have been made.
4. Each department head issuing purchase requests shall keep an updated appropriation ledger and/or create a system of communication between the department head and the judge/executive or designee who is responsible for maintaining an updated, comprehensive appropriation ledger for the county.

To improve internal controls over disbursements, we recommend the fiscal court take the following actions:

- Segregate duties to ensure no one person has the ability to create, approve, and process transactions without sufficient management oversight and review.
- Review and update the purchase order system in use to ensure state guideline are met.
- Update and communicate the purchase order and credit card policy to all staff.
- Require all original invoices, receipts, statements and other supporting documentation to be maintained and reconciled to corresponding purchase orders and bill lists for all disbursements.
- Pay only from original invoices, not estimates, quotes, copies, or email confirmations.
- Ensure all invoices are processed and paid within 30 days of receipt to avoid unnecessary late charges, interest, and finance charges.

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

FINANCIAL STATEMENT FINDINGS (CONTINUED):

2015-003 The Fiscal Court Lacks Adequate Segregation Of Duties And Should Improve Internal Controls Over Disbursements (Continued)

- Update and communicate the policy to staff concerning reimbursement for excess charges during training events for spouses and other family members.
- Account for all checks in numerical sequence by maintaining a check register or other check log system for both the county judge/executive and treasurer that tracks the last check signed, to prevent signing of checks by unauthorized personnel.
- Limit vendor creation and vendor file changes to authorized personnel, provide the county's tax id information to all vendors to avoid paying sales tax.

County Judge/Executive's Response: No purchase orders are written by finance officer. Human resource director or department head issues all purchase orders. When stamped and received in county judge's office, the deputy judge reviews for approval and are then given to finance officer to be placed on bills list for court approval. After court approves, finance officer runs checks, county judge/executive signs, Treasurer approves each P.O. and signs.

2015-004 The Fiscal Court Did Not Have Adequate Controls Over Credit Card Purchases

The fiscal court did not have adequate controls over credit card purchases including:

- Purchase orders without original receipts or invoices.
- Purchase orders without approval signatures from department heads.
- Purchase orders prepared from receipts after purchase.
- Purchase order was paid twice.
- Payments made from credit card statement balances not matched to purchase orders.
- Purchase orders not paid within 30 days of receipt.

Also, in several instances the supporting documentation (i.e. cash register receipts) was not maintained or reconciled to the statements and payment was made based on an outstanding statement balance.

The lack of consistent documentation increases the risk for fraud or error. By not consistently requiring purchase orders prior to using credit card for purchase and matching purchase receipts or invoices to purchase orders, the fiscal court's finance department cannot perform a complete, knowledgeable review of documentation before payment of the expense.

Documentation of all expenditures should be included in the overall payment package for approval by fiscal court. An annual review by the fiscal court of the administrative code is required by KRS 68.005 during the month of June. KRS 65.140(2) requires all bills for goods and services to be paid in full within thirty (30) working days of receiving a vendor invoice. The statute also states that if payment of invoices exceeds thirty (30) days, a 1% interest penalty should be added.

Strong internal controls dictate procedures be in place to reconcile monthly credit card receipts submitted by employees to the credit card statements.

We recommend the fiscal court implement control procedures to ensure purchase orders are prepared prior to purchases using a credit card; purchase receipts are matched to the purchase order; and credit card receipts are reconciled to the credit card statements on a monthly basis. We further recommend full documentation of credit card purchases be provided to fiscal court members with the list of expenditures to be approved.

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

FINANCIAL STATEMENT FINDINGS (CONTINUED):

2015-004 The Fiscal Court Did Not Have Adequate Controls Over Credit Card Purchases

County Judge/Executive's Response: New credit card use system has been implemented. There is a log at the front desk to check out all credit cards and return them with a P.O. and original receipt or purchase. Finance officer reviews all claims and immediately places on bill list for payment.

2015-005 The Fiscal Court Had Negative Bank Balances During The Fiscal Year

The Shelby County Fiscal Court had negative cash balances in the jail fund and road fund bank accounts during the fiscal year. The negative bank balance was noted for 7 days for the jail fund and 17 days in the road fund.

The negative bank balances appear to be the result of lack of monitoring of fund balances when claims are paid to realize that a transfer was needed to cover the claims. This caused negative account balances and NSF fees to be incurred to the county for the checks issued.

Negative bank balances are indicative of cash flow problems and is a poor business practice. The negative account balances caused NSF fees to be incurred by the county for the checks issued.

Aside from being good business practice, maintaining positive bank balances are required by statutes. KRS 68.210 requires the State Local Finance officer to create a system of uniform accounts for all counties and county officials. The DLG *County Budget Preparation and State Local Finance Officer Policy Manual* states that the county treasurer is only to sign checks if there is sufficient fund balance and adequate cash in the bank to cover the check.

We recommend the county be sure to verify that all bank accounts have sufficient balances to cover all checks written against them at all times. The county should request cash transfers as necessary from the fiscal court to avoid overdrawing the bank accounts.

County Judge/Executive's Response: Advanced requested cash transfers from the fiscal court have taken care of this issue.

2015-006 The Fiscal Court Should Resolve The Negative Payroll Account Balance

The fiscal court uses a clearing bank account for payroll processing. Deposits are made into the bank account from the county's general, road, jail and EMS funds to pay for salaries, taxes, the county's matching portion of taxes, retirement, and health insurance, and other payments to benefit vendors. The account should reconcile to zero every month because the total amount deposited into the account should be completely paid out that same month. While the fiscal court has completed regular, accurate reconciliations for this bank account, a negative reconciled balance existed at June 30, 2015 of (\$33,360). The balance is due to the cumulative effect of various errors made in payroll processing, including:

- Overpayment/underpayment of the county's retirement matching contribution to the county retirement system.
- Payment of the monthly health insurance invoice before completing a reconciliation, resulting in a difference between the amount due and the amount paid.
- Various other errors noted in calculations/payments.

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

FINANCIAL STATEMENT FINDINGS (CONTINUED):

2015-006 The Fiscal Court Should Resolve The Negative Payroll Account Balance (Continued)

Good internal controls require timely, accurate reconciliations to ensure all funds are properly accounted for and to prevent misappropriation of funds and inaccurate financial reporting.

We recommend the fiscal court reconcile the payroll revolving bank account to zero every month. A reconciliation should also be performed of the health insurance invoice to withholdings and county match before the transfer is made to the clearing account. Differences noted in the reconciliation should be tracked as reconciling items. To address the current negative account balance, the fiscal court should complete a current month reconciliation and determine the ending balance in the account. If the balance is still negative, a cash transfer from the county's funds to the payroll revolving bank account should be made to bring the bank account balance to zero. The reconciliation should be performed by someone other than the person responsible for payroll processing, to ensure an adequate segregation of duties.

County Judge/Executive's Response: Bank account is now being reconciled by County Treasurer each month instead of Finance Officer.

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

SHELBY COUNTY FISCAL COURT

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

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
SHELBY COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2015

The Shelby 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

