

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

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



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

June 30, 2015

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

Financial Condition:

The Bell County Fiscal Court had total receipts of \$10,391,747 and disbursements of \$11,081,802 in fiscal year 2015. This resulted in a total ending fund balance of \$2,753,362, which is a decrease of \$690,055 from the prior year.

Report Comments:

- 2015-001 The Fiscal Court Paid Two Food Service Providers A Total Of \$170,027 Without Accepting Bids Or Maintaining Service Contracts
- 2015-002 The Fiscal Court Paid GPMS Service Providers \$31,234 Without Accepting Bids Or Maintaining Service Contracts
- 2015-003 The Jailer Did Not Have Adequate Segregation Of Duties Over Jail Commissary Accounting Functions

Deposits:

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

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Matthew G. Bevin, Governor
William M. Landrum III, Secretary
Finance and Administration Cabinet
Honorable Albey Brock, Bell County Judge/Executive
Members of the Bell 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 Bell County Fiscal Court, for the year ended June 30, 2015, and the related notes to the financial statement which collectively comprise the Bell 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, the financial statement is prepared by the Bell 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 Bell 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 Bell County Fiscal Court as of June 30, 2015, and their respective cash receipts and disbursements, 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

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of the Bell 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 July 6, 2016 on our consideration of the Bell 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 Bell 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 Paid Two Food Service Providers A Total Of \$170,027 Without Accepting Bids Or Maintaining Service Contracts
- 2015-002 The Fiscal Court Paid GPMS Service Providers \$31,234 Without Accepting Bids Or Maintaining Service Contracts
- 2015-003 The Jailer Did Not Have Adequate Segregation Of Duties Over Jail Commissary Accounting Functions

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

July 6, 2016

BELL COUNTY OFFICIALS

For The Year Ended June 30, 2015

Fiscal Court Members:

Albey Brock	County Judge/Executive
Wade Hoskins	Magistrate
Hubert Dozier Jr.	Magistrate
Lonnie E. Maiden Jr.	Magistrate
Coye Silcox	Magistrate
Ricky Goodin	Magistrate

Other Elected Officials:

William Neil Ward	County Attorney
Gary Ferguson	Jailer
Debbie Gambrel	County Clerk
Colby Slusher	Circuit Court Clerk
Mitchell Williams	Sheriff
Geraldine Jeffers	Property Valuation Administrator
Jay Steele	Coroner

Appointed Personnel:

Irma Brooks	County Treasurer
Bruce Nunn	Road Supervisor

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

For The Year Ended June 30, 2015

BELL 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	\$ 1,899,723	\$	\$
In Lieu Tax Payments	38,370		
Licenses and Permits	66,405		
Intergovernmental	1,072,874	2,344,342	252,665
Charges for Services	29,967		24,531
Miscellaneous	82,011	28,446	65,325
Interest	54,828		
Total Receipts	<u>3,244,178</u>	<u>2,372,788</u>	<u>342,521</u>
DISBURSEMENTS			
General Government	1,939,453	12,455	
Protection to Persons and Property	420,414		1,093,686
General Health and Sanitation	147,175		
Social Services			
Recreation and Culture	13,411		
Transportation Facilities and Services		94,965	
Roads	17,221	1,155,211	
Debt Service	62,277		71,891
Capital Projects		654,676	
Administration	1,377,842	442,630	288,414
Total Disbursements	<u>3,977,793</u>	<u>2,359,937</u>	<u>1,453,991</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(733,615)</u>	<u>12,851</u>	<u>(1,111,470)</u>
Other Adjustments to Cash (Uses)			
Transfers From Other Funds	1,029,577	200,000	1,067,891
Transfers To Other Funds	<u>(332,000)</u>	<u>(200,000)</u>	
Total Other Adjustments to Cash (Uses)	<u>697,577</u>		<u>1,067,891</u>
Net Change in Fund Balance	(36,038)	12,851	(43,579)
Fund Balance - Beginning	166,140	196,374	82,095
Fund Balance - Ending	<u>\$ 130,102</u>	<u>\$ 209,225</u>	<u>\$ 38,516</u>
Composition of Fund Balance			
Bank Balance	\$ 158,579	\$ 212,057	\$ 40,785
Less: Outstanding Checks	(28,477)	(2,832)	(2,269)
Fund Balance - Ending	<u>\$ 130,102</u>	<u>\$ 209,225</u>	<u>\$ 38,516</u>

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

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

Budgeted Funds			
Local Government Economic Assistance Fund	Ambulance Service Fund	Local Government Economic Development Fund	Insurance Premium Tax Fund
\$	\$	\$	\$ 646,417
1,005,211	10,000 886,328 7,037	1,478,814	633
<u>1,005,211</u>	<u>903,365</u>	<u>1,478,814</u>	<u>647,050</u>
3,150 3,758 28,500 24,250 138,840 103,781	789,998 105,426	814,378	540,647
4,547	402,335		
<u>306,826</u>	<u>1,297,759</u>	<u>814,378</u>	<u>540,647</u>
698,385	(394,394)	664,436	106,403
(652,891)	290,825	200,000	(368,378)
<u>(652,891)</u>	<u>290,825</u>	<u>(1,235,024)</u>	<u>(368,378)</u>
45,494	(103,569)	(370,588)	(261,975)
80,211	193,969	1,895,708	717,389
<u>\$ 125,705</u>	<u>\$ 90,400</u>	<u>\$ 1,525,120</u>	<u>\$ 455,414</u>
\$ 127,205 (1,500)	\$ 92,217 (1,817)	\$ 1,525,120	\$ 455,414
<u>\$ 125,705</u>	<u>\$ 90,400</u>	<u>\$ 1,525,120</u>	<u>\$ 455,414</u>

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

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

	Unbudgeted Funds				Total Funds
	Adventure Tourism Fund	Cumberland Gap Provision Fund	Public Properties Corporation Fund - 2014 Series	Jail Commissary Fund	
RECEIPTS					
Taxes	\$	\$	\$	\$	\$ 2,546,140
In Lieu Tax Payments					38,370
Licenses and Permits					66,405
Intergovernmental			312,401		6,476,307
Charges for Services					940,826
Miscellaneous	17,457			67,898	268,174
Interest				64	55,525
Total Receipts	<u>17,457</u>		<u>312,401</u>	<u>67,962</u>	<u>10,391,747</u>
DISBURSEMENTS					
General Government	36,036	4			2,805,476
Protection to Persons and Property					2,848,503
General Health and Sanitation					175,675
Social Services					24,250
Recreation and Culture				89,205	241,456
Transportation Facilities and Services					94,965
Roads					1,276,213
Debt Service			194,456		434,050
Capital Projects					654,676
Administration			10,770		2,526,538
Total Disbursements	<u>36,036</u>	<u>4</u>	<u>205,226</u>	<u>89,205</u>	<u>11,081,802</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(18,579)</u>	<u>(4)</u>	<u>107,175</u>	<u>(21,243)</u>	<u>(690,055)</u>
Other Adjustments to Cash (Uses)					
Transfers From Other Funds					2,788,293
Transfers To Other Funds					(2,788,293)
Total Other Adjustments to Cash (Uses)					
Net Change in Fund Balance	(18,579)	(4)	107,175	(21,243)	(690,055)
Fund Balance - Beginning	56,893	4	10,770	43,864	3,443,417
Fund Balance - Ending	<u>\$ 38,314</u>	<u>\$</u>	<u>\$ 117,945</u>	<u>\$ 22,621</u>	<u>\$ 2,753,362</u>
Composition of Fund Balance					
Bank Balance	\$ 38,314	\$	\$ 117,945	\$ 25,890	\$ 2,793,526
Less Outstanding Checks				(3,269)	(40,164)
Fund Balance - Ending	<u>\$ 38,314</u>	<u>\$</u>	<u>\$ 117,945</u>	<u>\$ 22,621</u>	<u>\$ 2,753,362</u>

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BELL COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2015

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

B. Basis of Accounting

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

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

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

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

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

BELL 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.

Federal Fund - The primary purpose of this fund is to account for federal grants receipts and disbursements. There were no receipts or disbursements during the fiscal year.

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

Local Government Economic Development 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 government.

Insurance Premium Tax Fund - The primary purpose of this fund is to account for proceeds from the collection of insurance premium taxes and the disbursements thereof.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

Adventure Tourism Fund - The primary purpose of this fund is to account for receipts and disbursements of Adventure Tourism. Adventure Tourism is a program that is focused on bringing tourism attractions to the county.

Cumberland Gap Provision Fund - This fund was created for the purpose of accounting for the receipts and disbursements for a special project that has been inactive for several years.

Public Properties Corporation Fund - 2014 Series - The purpose of this fund is to account for proceeds and debt service requirements of the Refunding Revenue Bond, Series 2014. The Department for Local Government does not require the fiscal court to report or budget this fund.

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.

BELL 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 Public Properties Corporation Fund - 2014 Series to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually.

E. Bell County Elected Officials

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

BELL 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 fiscal court and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the fiscal court's deposits may not be returned. The fiscal court does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 66.480(1)(d) and KRS 41.240. As of June 30, 2015, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Transfers

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

	General Fund	Road Fund	Local Government Economic Assistance Fund	Local Government Economic Development Fund	Insurance Premium Tax Fund	Total Transfers In
General Fund	\$	\$	\$	\$ 952,024	\$ 77,553	\$ 1,029,577
Road Fund				200,000		200,000
Jail Fund	332,000		652,891	83,000		1,067,891
Local Government Economic Development Fund		200,000				200,000
Ambulance Service Fund					290,825	290,825
Total Transfers Out	<u>\$ 332,000</u>	<u>\$ 200,000</u>	<u>\$ 652,891</u>	<u>\$ 1,235,024</u>	<u>\$ 368,378</u>	<u>\$ 2,788,293</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.

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

Note 4. Agency Trust Funds

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

The fiscal court has the following agency trust fund:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the Jail Inmate Fund as of June 30, 2015 was \$430.

Note 5. Long-term Debt

A. Waterline Capital Lease Agreement

The Bell County Fiscal Court entered into a capital lease agreement with the Kentucky Association of Counties Leasing Trust Program on November 21, 1995, for the construction of waterlines. The county has subleased the waterlines to the Pineville Utility Commission. Terms of the agreement stipulate a twenty-year repayment schedule, with variable monthly interest payments and variable annual principal payments. As of June 30, 2015, the principal balance remaining was \$0.

B. Ambulance Garage Capital Lease Agreement

The Bell County Fiscal Court entered into a capital lease agreement with the Kentucky Association of Counties Leasing Trust Program on November 26, 2003. The lease proceeds were used to acquire land and a building. Terms of the agreement stipulate a twenty-year repayment schedule, with variable monthly interest payments and variable annual principal payments. As of June 30, 2015, the principal balance remaining was \$69,302. Future lease payments are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2016	\$ 6,949	\$ 2,832
2017	7,242	2,532
2018	7,547	2,220
2019	7,865	1,895
2020	8,196	1,558
2021-2024	31,503	2,579
Totals	<u>\$ 69,302</u>	<u>\$ 13,616</u>

C. Judicial Building – Refunding Revenue Bonds 2014 Series

On June 15, 2014, the Bell County Public Properties Corporation issued the 2014 Refunding Revenue Bonds for the purpose of refinancing the 2005 Revenue Bonds that were used for refinancing of the construction of the Farmer Helton Judicial Building.

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

Note 5. Long-term Debt (Continued)

C. Judicial Building – Refunding Revenue Bonds 2014 Series (Continued)

Bell County and the Public Properties Corporation are acting as agents for the Administrative Office of the Courts (AOC) in order to manage and maintain the Judicial Building. The Public Properties Corporation and the county expect annual rentals for use of the Judicial Building to be in the full amount of the annual principal and interest requirements of the bonds. Under the terms of the lease, the AOC has agreed to pay directly to the paying agent bank, the payment as provided in the lease. The lease agreement is renewable each year. The county and the Public Properties Corporation are in reliance upon the AOC's payments in order to meet the debt service for the bonds.

The AOC, with the execution of the lease, has expressed its intention to continue to pay in full both the principal and interest in each successive biennial budget period until June 30, 2029; however, the lease does not legally obligate the AOC to do so.

As of June 30, 2015, the principal balance remaining was \$4,370,000. The future payments are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2016	\$ 255,000	\$ 129,175
2017	260,000	121,450
2018	265,000	113,575
2019	280,000	105,400
2020	280,000	97,000
2021-2025	1,570,000	349,550
2026-2029	1,460,000	95,725
Totals	<u>\$ 4,370,000</u>	<u>\$ 1,011,875</u>

E. Community Action Agency

On October 5, 2006, the Bell County Fiscal Court issued General Obligation Bonds on behalf of the Bell/Whitley Community Action Agency (CAA) for the construction of a building to house the CAA offices. The CAA is responsible for the bond payments. The principal amount outstanding as of June 30, 2015 was \$880,000. Bond payments for the remaining years are:

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

Note 5. Long-term Debt (Continued)

E. Community Action Agency (Continued)

Fiscal Year Ended June 30	Principal	Scheduled Interest
2016	\$ 55,000	\$ 39,763
2017	60,000	37,578
2018	60,000	35,087
2019	65,000	32,275
2020	65,000	29,350
2021-2025	390,000	93,848
2026-2027	185,000	9,094
Totals	<u>\$ 880,000</u>	<u>\$ 276,995</u>

F. Detention Facility

In 2006, the Bell County Fiscal Court issued \$3,500,000 of General Obligation Improvement bonds for financing the construction of the Bell County Detention Facility. On June 23, 2009, the bond was partially defeased. The county decided not to build a new detention center after the original bond was issued. Therefore, funds that remained in the Public Properties Construction Fund were transferred to an escrow account in order to make payments as required by the bond schedule.

The county will be responsible for paying back funds that had been used to acquire and improve land that was to be used for the new detention center. The bonds require semiannual interest and principal payments to be made. As of June 30, 2015, the County's portion of principal amount outstanding was \$1,025,000. Bond payments for the remaining years are:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2016	\$ 30,000	\$ 44,188
2017	30,000	42,875
2018	30,000	41,562
2019	30,000	40,250
2020	35,000	38,828
2021-2025	190,000	170,188
2026-2030	245,000	123,047
2031-2035	295,000	63,984
2036-2037	140,000	6,125
Totals	<u>\$ 1,025,000</u>	<u>\$ 571,047</u>

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

Note 5. Long-term Debt (Continued)

G. Industrial Building

The County entered into a capital lease agreement with the Kentucky Association of Counties Leasing Trust Program on July 13, 2006. The lease proceeds were used to finance the construction of an industrial building on behalf of the Bell County Industrial Authority. Total amount financed was \$360,000. Terms of the agreement stipulate a fifteen-year repayment schedule, with variable monthly interest payments and variable annual principal payments. The Industrial Authority rents the building from the county. The rent is equivalent to the principal and interest payments. As of June 30, 2015, the principal balance remaining was \$195,000. Future lease payments are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2016	\$ 25,000	\$ 8,907
2017	25,000	7,656
2018	25,000	6,404
2019	30,000	4,923
2020	30,000	3,422
2021-2022	<u>60,000</u>	<u>2,071</u>
Totals	<u>\$ 195,000</u>	<u>\$ 33,383</u>

H. Ambulances #12

The County entered into a capital lease agreement with the Kentucky Association of Counties Leasing Trust Program on December 13, 2012. The lease proceeds were used to purchase four (4) ambulances. The total amount financed was \$439,867. Terms of the agreement stipulate a five-year repayment schedule, with principal and interest payments due monthly with a variable rate of interest. The principal outstanding as of June 30, 2015 was \$226,672. Future lease payments are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2016	\$ 89,074	5,863
2017	91,192	3,025
2018	<u>46,406</u>	<u>427</u>
Totals	<u>\$ 226,672</u>	<u>\$ 9,315</u>

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

Note 5. Long-term Debt (Continued)

I. Ambulance #13

The County entered into a capital lease agreement with the Kentucky Association of Counties Leasing Trust Program on July 29, 2013. The lease proceeds were used to purchase one (1) ambulance. The total amount financed was \$60,000. Terms of the agreement stipulate a three-year repayment schedule, with principal and interest payments due monthly with a fixed rate of interest. The principal outstanding as of June 30, 2015 was \$22,185. Future lease payments are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2016	\$ 20,457	\$ 420
2017	1,728	5
Totals	<u>\$ 22,185</u>	<u>\$ 425</u>

J. 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	\$ 1,985,000	\$	\$ 80,000	\$ 1,905,000	\$ 85,000
Revenue Bonds	4,470,000		100,000	4,370,000	255,000
Financing Obligations	657,793		144,633	513,160	141,480
Total Long-term Debt	<u>\$ 7,112,793</u>	<u>\$</u>	<u>\$ 324,633</u>	<u>\$ 6,788,160</u>	<u>\$ 481,480</u>

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

Note 6. Employee Retirement System

A. Plan Description

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). This is a cost sharing, multiple employer defined benefit pension plan that covers all eligible regular full-time members employed in non-hazardous *and hazardous duty* positions in the county. The Plan provides for retirement, disability and death benefits to plan members. Retirement benefits may be extended to beneficiaries of the plan members under certain circumstances. Benefit contributions and provisions are established by statute.

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

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

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on, or after, January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Members contribute five percent (nonhazardous) and eight percent (hazardous) of their annual creditable compensation and one percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a four percent (nonhazardous) and seven and one-half percent (hazardous) employer pay credit. The employer pay credit represents a portion of the employer contribution.

The county's contribution for FY 2013 was \$796,919, FY 2014 was \$743,422, and FY 2015 was \$721,885.

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.

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

Note 6. 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, KRS has determined that Bell 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	\$ 5,062,000	\$ 4,474,000
Non-Hazardous	<u>961,000</u>	<u>860,000</u>
Totals	<u>\$ 6,023,000</u>	<u>\$ 5,334,000</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.

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

Note 7. Deferred Compensation

In April 2003, the Bell 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 8. Insurance

For the fiscal year ended June 30, 2015, Bell 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.

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BELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2015

BELL 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	\$ 1,918,000	\$ 1,918,000	\$ 1,899,723	\$ (18,277)
In Lieu Tax Payments	42,000	42,000	38,370	(3,630)
Excess Fees	7,476	7,476		(7,476)
Licenses and Permits	42,500	42,500	66,405	23,905
Intergovernmental	1,110,191	1,203,801	1,072,874	(130,927)
Charges for Services	73,700	73,700	29,967	(43,733)
Miscellaneous	56,000	56,000	82,011	26,011
Interest	70,000	70,000	54,828	(15,172)
Total Receipts	<u>3,319,867</u>	<u>3,413,477</u>	<u>3,244,178.00</u>	<u>(169,299)</u>
DISBURSEMENTS				
General Government	2,126,993	2,221,139	1,939,453	281,686
Protection to Persons and Property	499,652	537,308	420,414	116,894
General Health and Sanitation	155,000	169,422	147,175	22,247
Recreation and Culture	55,000	55,000	13,411	41,589
Roads	18,000	18,000	17,221	779
Debt Service	62,434	63,514	62,277	1,237
Administration	1,587,545	1,533,851	1,377,842	156,009
Total Disbursements	<u>4,504,624</u>	<u>4,598,234</u>	<u>3,977,793</u>	<u>620,441</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,184,757)</u>	<u>(1,184,757)</u>	<u>(733,615)</u>	<u>451,142</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	684,120	684,120	1,029,577	345,457
Transfers To Other Funds	(83,000)	(83,000)	(332,000)	(249,000)
Total Other Adjustments to Cash (Uses)	<u>601,120</u>	<u>601,120</u>	<u>697,577</u>	<u>96,457</u>
Net Change in Fund Balance	(583,637)	(583,637)	(36,038)	547,599
Fund Balance Beginning	583,637	583,637	166,140	(417,497)
Fund Balance - Ending	<u>\$</u>	<u>\$</u>	<u>\$ 130,102</u>	<u>\$ 130,102</u>

BELL 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	\$ 4,265,484	\$ 4,265,484	\$ 2,344,342	\$ (1,921,142)
Miscellaneous			28,446	28,446
Total Receipts	<u>4,265,484</u>	<u>4,265,484</u>	<u>2,372,788</u>	<u>(1,892,696)</u>
DISBURSEMENTS				
General Government	23,000	23,000	12,455	10,545
Transportation Facilities and Services	134,000	134,000	94,965	39,035
Roads	1,443,159	1,546,247	1,155,211	391,036
Capital Projects	2,158,168	2,158,168	654,676	1,503,492
Administration	698,439	595,351	442,630	152,721
Total Disbursements	<u>4,456,766</u>	<u>4,456,766</u>	<u>2,359,937</u>	<u>2,096,829</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(191,282)</u>	<u>(191,282)</u>	<u>12,851</u>	<u>204,133</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			200,000	200,000
Transfers To Other Funds			<u>(200,000)</u>	<u>(200,000)</u>
Total Other Adjustments to Cash (Uses)				
Net Change in Fund Balance	(191,282)	(191,282)	12,851	204,133
Fund Balance Beginning	<u>191,282</u>	<u>191,282</u>	<u>196,374</u>	<u>5,092</u>
Fund Balance - Ending	<u>\$</u>	<u>\$</u>	<u>\$ 209,225</u>	<u>\$ 209,225</u>

BELL 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	\$ 272,910	\$ 272,910	\$ 252,665	\$ (20,245)
Charges for Services	34,500	34,500	24,531	(9,969)
Miscellaneous	18,000	18,000	65,325	47,325
Total Receipts	<u>325,410</u>	<u>325,410</u>	<u>342,521</u>	<u>17,111</u>
DISBURSEMENTS				
Protection to Persons and Property	978,120	1,107,142	1,093,686	13,456
Debt Service	71,891	71,891	71,891	
Administration	343,290	296,268	288,414	7,854
Total Disbursements	<u>1,393,301</u>	<u>1,475,301</u>	<u>1,453,991</u>	<u>21,310</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,067,891)</u>	<u>(1,149,891)</u>	<u>(1,111,470)</u>	<u>38,421</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>1,067,891</u>	<u>1,067,891</u>	<u>1,067,891</u>	
Total Other Adjustments to Cash (Uses)	<u>1,067,891</u>	<u>1,067,891</u>	<u>1,067,891</u>	
Net Change in Fund Balance		(82,000)	(43,579)	38,421
Fund Balance Beginning		<u>82,000</u>	<u>82,095</u>	<u>95</u>
Fund Balance - Ending	<u>\$</u>	<u>\$</u>	<u>\$ 38,516</u>	<u>\$ 38,516</u>

BELL 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	\$ 1,050,000	\$ 1,050,000	\$ 1,005,211	\$ (44,789)
Total Receipts	<u>1,050,000</u>	<u>1,050,000</u>	<u>1,005,211</u>	<u>(44,789)</u>
DISBURSEMENTS				
General Government	20,000	20,000	3,150	16,850
Protection to Persons and Property	4,000	4,000	3,758	242
Social Services	35,000	35,000	24,250	10,750
General Health and Sanitation	31,000	31,000	28,500	2,500
Recreation and Culture	147,840	149,840	138,840	11,000
Roads	165,000	165,000	103,781	61,219
Administration	37,269	35,269	4,547	30,722
Total Disbursements	<u>440,109</u>	<u>440,109</u>	<u>306,826</u>	<u>133,283</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>609,891</u>	<u>609,891</u>	<u>698,385</u>	<u>88,494</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	<u>(984,891)</u>	<u>(984,891)</u>	<u>(652,891)</u>	<u>332,000</u>
Total Other Adjustments to Cash (Uses)	<u>(984,891)</u>	<u>(984,891)</u>	<u>(652,891)</u>	<u>332,000</u>
Net Change in Fund Balance	(375,000)	(375,000)	45,494	420,494
Fund Balance Beginning	<u>375,000</u>	<u>375,000</u>	<u>80,211</u>	<u>(294,789)</u>
Fund Balance - Ending	<u>\$</u>	<u>\$</u>	<u>\$ 125,705</u>	<u>\$ 125,705</u>

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

FEDERAL GRANT FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 5,000	\$ 5,000	\$	\$ (5,000)
Total Receipts	<u>5,000</u>	<u>5,000</u>	<u>\$</u>	<u>(5,000)</u>
DISBURSEMENTS				
Protection to Persons and Property	5,000	5,000	<u>\$</u>	<u>5,000</u>
Total Disbursements	<u>5,000</u>	<u>5,000</u>	<u>\$</u>	<u>5,000</u>
Net Change in Fund Balance				
Fund Balance - Beginning				
Fund Balance - Ending	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

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

AMBULANCE SERVICE 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	975,000	975,000	886,328	(88,672)
Miscellaneous	12,000	12,000	7,037	(4,963)
Total Receipts	<u>997,000</u>	<u>997,000</u>	<u>903,365</u>	<u>(93,635)</u>
DISBURSEMENTS				
Protection to Persons and Property	939,047	950,559	789,998	160,561
Debt Service	105,915	105,915	105,426	489
Administration	511,810	500,298	402,335	97,963
Total Disbursements	<u>1,556,772</u>	<u>1,556,772</u>	<u>1,297,759</u>	<u>259,013</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(559,772)</u>	<u>(559,772)</u>	<u>(394,394)</u>	<u>165,378</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>315,450</u>	<u>315,450</u>	<u>290,825</u>	<u>(24,625)</u>
Total Other Adjustments to Cash (Uses)	<u>315,450</u>	<u>315,450</u>	<u>290,825</u>	<u>(24,625)</u>
Net Change in Fund Balance	(244,322)	(244,322)	(103,569)	140,753
Fund Balance Beginning	<u>244,322</u>	<u>244,322</u>	<u>193,969</u>	<u>(50,353)</u>
Fund Balance - Ending	<u>\$</u>	<u>\$</u>	<u>\$ 90,400</u>	<u>\$ 90,400</u>

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

LOCAL GOVERNMENT ECONOMIC DEVELOPMENT FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 2,781,302	\$ 2,781,302	\$ 1,478,814	\$ (1,302,488)
Total Receipts	<u>2,781,302</u>	<u>2,781,302</u>	<u>1,478,814</u>	<u>(1,302,488)</u>
DISBURSEMENTS				
General Government	3,483,568	3,483,568	814,378	2,669,190
Total Disbursements	<u>3,483,568</u>	<u>3,483,568</u>	<u>814,378</u>	<u>2,669,190</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(702,266)</u>	<u>(702,266)</u>	<u>664,436</u>	<u>1,366,702</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			200,000	200,000
Transfers To Other Funds	(600,000)	(600,000)	(1,235,024)	(635,024)
Total Other Adjustments to Cash (Uses)	<u>(600,000)</u>	<u>(600,000)</u>	<u>(1,035,024)</u>	<u>(435,024)</u>
Net Change in Fund Balance	(1,302,266)	(1,302,266)	(370,588)	931,678
Fund Balance Beginning	<u>1,302,266</u>	<u>1,302,266</u>	<u>1,895,708</u>	<u>593,442</u>
Fund Balance - Ending	<u>\$</u>	<u>\$</u>	<u>\$ 1,525,120</u>	<u>\$ 1,525,120</u>

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

INSURANCE PREMIUM TAX FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 700,000	\$ 700,000	\$ 646,417	\$ (53,583)
Interest	1,000	1,000	633	(367)
Total Receipts	<u>701,000</u>	<u>701,000</u>	<u>647,050</u>	<u>(53,950)</u>
DISBURSEMENTS				
Protection to Persons and Property	77,110	638,475	540,647	97,828
Administration	952,920	391,555		391,555
Total Disbursements	<u>1,030,030</u>	<u>1,030,030</u>	<u>540,647</u>	<u>489,383</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(329,030)</u>	<u>(329,030)</u>	<u>106,403</u>	<u>435,433</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	<u>(399,570)</u>	<u>(399,570)</u>	<u>(368,378)</u>	<u>31,192</u>
Total Other Adjustments to Cash (Uses)	<u>(399,570)</u>	<u>(399,570)</u>	<u>(368,378)</u>	<u>31,192</u>
Net Change in Fund Balance	(728,600)	(728,600)	(261,975)	466,625
Fund Balance Beginning	<u>728,600</u>	<u>728,600</u>	<u>717,389</u>	<u>(11,211)</u>
Fund Balance - Ending	<u>\$</u>	<u>\$</u>	<u>\$ 455,414</u>	<u>\$ 455,414</u>

BELL COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2015

Note 1. Budgetary Information

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

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

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

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

BELL 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 and Land Improvements	\$ 1,264,079	\$ 170,000	\$	\$ 1,434,079
Buildings and Improvements	7,358,156			7,358,156
Vehicles and Equipment	2,178,414	128,261	20,352	2,286,323
Other Equipment	2,177,424	226,769		2,404,193
Infrastructure	5,048,488	572,216		5,620,704
 Total Capital Assets	 <u>\$ 18,026,561</u>	 <u>\$ 1,097,246</u>	 <u>\$ 20,352</u>	 <u>\$19,103,455</u>

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

June 30, 2015

Note 1. Capital Assets

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

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 5,000	10-60
Buildings	\$ 25,000	10-75
Building Improvements	\$ 10,000	10-75
Machinery & Equipment	\$ 2,500	3-25
Vehicles	\$ 2,500	3-25
Infrastructure	\$ 10,000	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 Albey Brock, Bell County Judge/Executive
Members of the Bell 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 Bell County Fiscal Court for the fiscal year ended June 30, 2015 and the related notes to the financial statement which collectively comprise the Bell County Fiscal Court's financial statement and have issued our report thereon dated July 6, 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, which is described in the accompanying comments and recommendations as item 2015-003 that we consider to be a significant deficiency.



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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Bell 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 2015-001 and 2015-002.

The Bell County Jailer's response to the finding identified in our audit is included in the accompanying comments and recommendations. The Bell County Jailer's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

Purpose of this Report

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

Respectfully submitted,

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

Mike Harmon
Auditor of Public Accounts

July 6, 2016

**BELL COUNTY
COMMENTS AND RECOMMENDATIONS**

For The Year Ended June 30, 2015

BELL COUNTY
COMMENTS AND RECOMMENDATIONS

Fiscal Year Ended June 30, 2015

STATE LAWS AND REGULATIONS:

2015-001 The Fiscal Court Paid Two Food Service Providers A Total Of \$170,027 Without Accepting Bids Or Maintaining Service Contracts

The fiscal court did not select the county's food service provider for the jail through a public bid process. While each monthly bill did not exceed the \$20,000 limit set in KRS 424.260, they did in the aggregate for fiscal year 2015. We noted the fiscal court remitted payments to two food service vendors totaling \$170,027 for food service to the jail for fiscal year 2015. The fiscal court did not maintain a service contract with one of the food service vendors during fiscal year 2015. Also, the jailer entered into a contract with a food service vendor during January 2015, which was not presented to the fiscal court for approval. In addition, no internal controls have been implemented to verify the accuracy or correctness of billings received and paid from the food service provider.

The lack of knowledge or understanding of the process resulted in the internal control weakness in which billings were not verified. As a result, the fiscal court may have overpaid for services, either because a lower rate could have been obtained, or because the billings may have been overstated.

KRS 424.260(1) states that no county "may make a contract, lease, or other agreement for materials, supplies..., equipment, or for contractual services other than professional, involving an expenditure of more than twenty thousand dollars (\$20,000) without first making newspaper advertisement for bids."

We recommend the fiscal court take the necessary steps to ensure compliance with applicable statutes. The county's food service providers for the jail should be selected through a public bid process if billings for the year will exceed the \$20,000 limit, and the fiscal court should maintain appropriate contracts with all service providers. Further, the fiscal court should implement internal controls to verify the accuracy and validity of billings received before payment is issued to a food service provider.

Judge/Executive's Response: No Response.

2015-002 The Fiscal Court Paid GPMS Service Providers \$31,234 Without Accepting Bids Or Maintaining Service Contracts

The county did not select the county's global positioning monitoring system (GPMS) service provider through a public bid process. We noted the county remitted payments totaling \$31,234 to three service providers, without maintaining service contracts during fiscal year 2015. In addition, no internal controls have been implemented to verify the accuracy or correctness of billings received and paid from the GPMS service provider.

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

STATE LAWS AND REGULATIONS: (Continued)

2015-002 The Fiscal Court Paid GPMS Service Providers \$31,234 Without Accepting Bids Or Maintaining Service Contracts (Continued)

KRS 424.260(1) states that no county “may make a contract, lease, or other agreement for materials, supplies..., equipment, or contractual services other than professional, involving an expenditure of more than twenty thousand dollars (\$20,000) without first making news paper advertisement for bids.”

KRS 67.374(3) states, “A county... electing to participate in a global positioning monitoring system program shall, through a public bid process, select an entity or entities to provide the best available technology with regard to global positioning monitoring system devices that meet the requirements of this section and KRS 67.372, 403.720, 403.747, 403.750, and 403.761 and a system that meets those same requirements, including but not limited to the acceptance of reduced fees for petitioners and indigent persons ordered to wear a monitoring device.”

KRS 67.374(4) states, “A... county... electing to participate in a global positioning monitoring system program shall continuously monitor the performance of successful bidders, receive complaints regarding service, and conduct hearings pursuant to KRS Chapter 13B which may result in penalties as set out in the contract against an entity providing global positioning monitoring system services or which may result in cancellation of the contract with the provider of the service, or both. The provisions of this subsection shall be part of any bid offering and any contract entered into between the county... and an entity providing global positioning monitoring system services.”

KRS 67.374(5) allows a county electing to operate a GPMS program to utilize that program for monitoring domestic violence petitioners and respondents, persons on pretrial release who have been charged with a crime, persons assigned to a pretrial diversion program, and persons granted probation or conditional discharge, who have been ordered by a court or other authority to wear a GPMS monitoring device. KRS 67.372 sets forth numerous additional requirements related to the county’s GPMS service provider contract.

Effective internal controls require amounts billed to the county and paid by the county to be verified for accuracy and validity. These weaknesses are the result of an oversight, as management was unaware of statutory restrictions and requirements. The lack of knowledge or understanding of the process resulted in the internal control weakness in which billings were not verified. As a result, the county may have overpaid for services, either because a lower rate could have been obtained, or because the billings may have been overstated.

We recommend the fiscal court consult with the county attorney and take the necessary steps to ensure compliance with applicable statutes. The county’s GPMS service providers should be selected through a public bid process, and the fiscal court should maintain appropriate contracts with all service providers. Further, the fiscal court should implement internal controls to verify the accuracy and validity of billings received before payment is issued to a GPMS service provider.

Judge/Executive’s Response: No Response.

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

INTERNAL CONTROL - SIGNIFICANT DEFICIENCY:

2015-003 The Jailer Did Not Have Adequate Segregation Of Duties Over Jail Commissary Accounting Functions

A lack of segregation of duties existed over jail commissary receipts, disbursements, and bank reconciliations. The jail commissary bookkeeper recorded receipts, prepared deposits, prepared the daily checkout sheets, prepared the monthly receipt ledger, recorded entries on inmate accounts, could prepare checks for disbursements, prepared the monthly disbursement ledger, and performed the monthly bank reconciliation. In addition, the bookkeeper can release unused inmate account cash to inmates upon release. Although the jailer implemented compensating controls in the form of his oversight through verifying the deposit, and comparison of monthly ledgers to the bank reconciliation, these procedures were not documented.

The lack of adequate segregation of duties is a result of the jailer's limited budget for staff. Lack of segregation of duties increased the risk of misappropriation of assets, errors, and inaccurate financial reporting. Adequate segregation of duties is essential over receipts, disbursements, and bank reconciliations and would have prevented the same person from having a significant role in these incompatible functions.

We recommend the jailer separate the duties in preparing and depositing receipts, recording transactions, preparing checks, and reconciling bank accounts. If these duties cannot be segregated due to limited number of staff or budget, strong oversight should be provided over the employees responsible for these duties. Any compensating controls performed should be documented by the reviewer's initials and date on applicable documentation. The following are examples of other controls the jailer could implement:

- Triplicate receipts could be compared to the inmate account sheets.
- Commissary sales amounts could be compared to daily deposits for agreement. Any differences should be reconciled.
- Supporting documentation for disbursements, such as invoices, could be reviewed by the jailer.
- The jailer, or his designee, could complete bank reconciliations or review the bookkeeper's reconciliation for accuracy. This could be documented by initialing the bank reconciliation.

Judge/Executive's Response: No Response.

Jailer's Response: I did not understand fully what segregation of duties were. I now initial and verify all transactions. I also sign original copies.

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

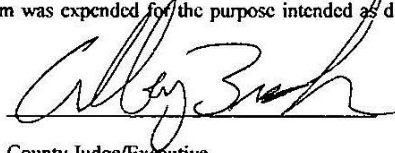
BELL COUNTY FISCAL COURT

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

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAM
BELL COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2015

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



County Judge/Executive



County Treasurer

