

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

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



**MIKE HARMON  
AUDITOR OF PUBLIC ACCOUNTS  
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**EXECUTIVE SUMMARY**  
**AUDIT OF THE**  
**MARSHALL COUNTY FISCAL COURT**

**June 30, 2015**

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

**Financial Condition:**

The Marshall County Fiscal Court had total receipts of \$16,123,250 and disbursements of \$16,712,441 in fiscal year 2015. This resulted in a total ending fund balance of \$4,223,948, which is decrease of \$283,712 from the prior year.

**Report Comments:**

- 2015-001 Internal Control Deficiencies Over Cash Resulted In An Unauthorized Cash Transfer
- 2015-002 Weak Internal Controls Over Capital Assets Resulted In The Omission Of Capital Asset Additions From The County's Schedule Of Capital Assets
- 2015-003 The Marshall County Fiscal Court Failed To Report All Receipts And Disbursements Associated With All County Activities
- 2015-004 The Marshall County Fiscal Court Has A Lack Of Adequate Segregation Of Duties Over Receipts And Receivables
- 2015-005 The Marshall County Detention Center Has A Lack Of Segregation Of Duties Over Jail Commissary Operations
- 2015-006 The Marshall County Fiscal Court Has Internal Control Weaknesses And Non-Compliances Surrounding Payroll And Timekeeping
- 2015-007 Decentralized Receipts Were Not Properly Turned Over To The County Treasurer
- 2015-008 The Marshall County Jailer Failed To Maintain Minimum Accounting Records For The Jail Commissary Resulting In Noncompliance With KRS 68.210

**Deposits:**

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



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**MIKE HARMON**  
**AUDITOR OF PUBLIC ACCOUNTS**

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

**Management's Responsibility for the Financial Statement**

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

**Auditor's Responsibility**

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

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



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**Auditor's Responsibility (Continued)**

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

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

As described more fully in Note 1 of the financial statement, the financial statement is prepared by the Marshall 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 Marshall 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 Marshall County Fiscal Court as of June 30, 2015, and its 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 Marshall 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.



To the People of Kentucky  
 Honorable Matthew G. Bevin, Governor  
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 Honorable Kevin Neal, Marshall County Judge/Executive  
 Members of the Marshall County Fiscal Court

### **Other Matters (Continued)**

#### *Supplementary Information (Continued)*

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2016 on our consideration of the Marshall 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 Marshall County, Kentucky'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 Internal Control Deficiencies Over Cash Resulted In An Unauthorized Cash Transfer
- 2015-002 Weak Internal Controls Over Capital Assets Resulted In The Omission Of Capital Asset Additions From The County's Schedule Of Capital Assets
- 2015-003 The Marshall County Fiscal Court Failed To Report All Receipts And Disbursements Associated With All County Activities
- 2015-004 The Marshall County Fiscal Court Has A Lack Of Adequate Segregation Of Duties Over Receipts And Receivables
- 2015-005 The Marshall County Detention Center Has A Lack Of Segregation Of Duties Over Jail Commissary Operations
- 2015-006 The Marshall County Fiscal Court Has Internal Control Weaknesses And Non-Compliances Surrounding Payroll And Timekeeping
- 2015-007 Decentralized Receipts Were Not Properly Turned Over To The County Treasurer
- 2015-008 The Marshall County Jailer Failed To Maintain Minimum Accounting Records For The Jail Commissary Resulting In Noncompliance With KRS 68.210

Respectfully submitted,



Mike Harmon  
 Auditor of Public Accounts

June 23, 2016

MARSHALL COUNTY OFFICIALS

For The Year Ended June 30, 2015

**Fiscal Court Members:**

Chyrill Miller	County Judge/Executive
Bob Gold	Commissioner
Johnny Bowlin	Commissioner
Rick Cocke	Commissioner

**Other Elected Officials:**

Jeff Edwards	County Attorney
Roger Ford	Jailer
Tim York	County Clerk
Carla Marshall	Circuit Court Clerk
Kevin Byars	Sheriff
Tony Henson	Property Valuation Administrator
Mitchell Lee	Coroner

**Appointed Personnel:**

Emily Martin	County Treasurer
Karen Freeman	Finance Officer
Brenda Edwards	Occupational Tax Administrator

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

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

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

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

	<b>Budgeted Funds</b>				
	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Federal Grant Fund</b>	<b>Emergency 911 Fund</b>
<b>RECEIPTS</b>					
Taxes	\$ 2,588,317	\$	\$	\$	\$ 192,614
In Lieu Tax Payments	991,685				
Excess Fees	351,316				
Licenses and Permits	133,637				
Intergovernmental	495,586	2,947,826	1,685,981	174,025	150,350
Charges for Services		8,304	12,325		
Miscellaneous	273,934	38,465	71,152	3,387	2,530
Interest	6,385	4,595	2,095		1,132
Total Receipts	<u>4,840,860</u>	<u>2,999,190</u>	<u>1,771,553</u>	<u>177,412</u>	<u>346,626</u>
<b>DISBURSEMENTS</b>					
General Government	2,972,814				
Protection to Persons and Property	595,055		1,515,694		474,250
General Health and Sanitation	147,609			93,072	
Social Services	136,104				
Recreation and Culture	789,522				
Roads		4,966,903			
Other Transportation Facilities and Services					
Debt Service	22,586	14,100			
Capital Projects	80,000				
Administration	2,993,924	524,946	580,693		137,060
Total Disbursements	<u>7,737,614</u>	<u>5,505,949</u>	<u>2,096,387</u>	<u>93,072</u>	<u>611,310</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(2,896,754)</u>	<u>(2,506,759)</u>	<u>(324,834)</u>	<u>84,340</u>	<u>(264,684)</u>
<b>Other Adjustments to Cash (Uses)</b>					
Payroll Revolving Account	264,172				
Borrowed Money				41,307	
Transfers From Other Funds	2,944,000	2,490,760	300,000		185,000
Transfers To Other Funds	(44,200)			(124,760)	
Total Other Adjustments to Cash (Uses)	<u>3,163,972</u>	<u>2,490,760</u>	<u>300,000</u>	<u>(83,453)</u>	<u>185,000</u>
Net Change in Fund Balance	267,218	(15,999)	(24,834)	887	(79,684)
Fund Balance - Beginning (Restated)	331,786	174,830	151,046	6,527	138,800
Fund Balance - Ending	<u>\$ 599,004</u>	<u>\$ 158,831</u>	<u>\$ 126,212</u>	<u>\$ 7,414</u>	<u>\$ 59,116</u>
<b>Composition of Fund Balance</b>					
Bank Balance	\$ 549,829	\$ 975,514	\$ 183,422	\$ 21,622	\$ 64,732
Payroll Revolving Reconciled Balance	264,172				
Less: Outstanding Checks	(214,997)	(816,683)	(57,210)	(14,208)	(5,616)
Fund Balance - Ending	<u>\$ 599,004</u>	<u>\$ 158,831</u>	<u>\$ 126,212</u>	<u>\$ 7,414</u>	<u>\$ 59,116</u>

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

**MARSHALL 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>Unbudgeted Funds</u>			
<u>Occupational Tax Administrator Fund</u>	<u>Veterans' Van Fund</u>	<u>Public Properties Corporation Justice Center Debt Service Fund</u>	<u>Public Properties Corporation Justice Center Capital Projects Fund</u>	<u>Jail Commissary Fund</u>	<u>Total Fund</u>
\$ 5,379,409	\$	\$	\$	\$	\$ 8,160,340
					991,685
					351,316
					133,637
		497,500	24,575		5,975,843
	525			58,973	20,629
24,100	17		2,278	232	448,966
<u>5,403,509</u>	<u>542</u>	<u>497,500</u>	<u>26,853</u>	<u>59,205</u>	<u>16,123,250</u>
88,231					3,061,045
					2,584,999
					240,681
					136,104
				36,384	825,906
					4,966,903
	1,794				1,794
		541,700			578,386
					80,000
					4,236,623
<u>88,231</u>	<u>1,794</u>	<u>541,700</u>		<u>36,384</u>	<u>16,712,441</u>
5,315,278	(1,252)	(44,200)	26,853	22,821	(589,191)
					264,172
					41,307
		44,200			5,963,960
<u>(5,795,000)</u>					<u>(5,963,960)</u>
<u>(5,795,000)</u>		<u>44,200</u>			<u>305,479</u>
(479,722)	(1,252)		26,853	22,821	(283,712)
3,258,839	2,631	2,909	258,993	181,299	4,507,660
<u>\$ 2,779,117</u>	<u>\$ 1,379</u>	<u>\$ 2,909</u>	<u>\$ 285,846</u>	<u>\$ 204,120</u>	<u>\$ 4,223,948</u>
\$ 2,797,312	\$ 1,379	\$ 2,909	\$ 285,846	\$ 204,207	\$ 5,086,772
					264,172
(18,195)				(87)	(1,126,996)
<u>\$ 2,779,117</u>	<u>\$ 1,379</u>	<u>\$ 2,909</u>	<u>\$ 285,846</u>	<u>\$ 204,120</u>	<u>\$ 4,223,948</u>

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

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**MARSHALL COUNTY**  
**NOTES TO FINANCIAL STATEMENT**

**June 30, 2015**

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

**A. Reporting Entity**

The financial statement of Marshall County includes all budgeted and unbudgeted funds under the control of the Marshall 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 Marshall County Refuse Disposal District 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 it is no longer a required component of the reporting entity. Audits of the following entity can be obtained from the Marshall County Fiscal Court at 1101 Main Street, Benton, Kentucky 42025.

**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.

**MARSHALL 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 Occupational Tax Administrator Fund. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the General Fund.

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

Emergency 911 Fund - The primary purpose of this fund is to account for the emergency dispatch services. The primary sources of receipts for this fund are 911 service fees as well as other fees received from the state.

Occupational Tax Administrator Fund - The primary purpose of this fund is to account for occupational tax receipts. Occupational Tax receipts are recorded in this fund and then transferred to other operating funds as needed.

Veterans' Van Fund - The fund is used to account for receipts and disbursements associated with the Veterans' Van project. The primary source of receipts for this fund is donations.

**Unbudgeted Funds**

The fiscal court reports the following unbudgeted funds:

Public Properties Corporation Justice Center Debt Service Fund - The purpose of this fund is to account for debt service requirements of the general obligation bonds of the Public Properties Corporation.

Public Properties Corporation Justice Center Capital Projects Fund - The purpose of this fund is to account for the construction activities of the Public Properties Corporation.

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.



**MARSHALL 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 Justice Center Debt Service Fund or the Public Properties Corporation Justice Center Capital Projects Fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually.

**E. Marshall County Elected Officials**

Kentucky law provides for election of the officials below from the geographic area constituting Marshall 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 Marshall County, Kentucky.

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

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

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

**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).

**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 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.

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

**Note 3. Transfers**

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

	General Fund	Federal Grants Fund	Occupational Tax Administrator Fund	Total Transfers In
General Fund	\$	\$ 4,000	\$ 2,940,000	\$ 2,944,000
Road Fund		120,760	2,370,000	2,490,760
Jail Fund			300,000	300,000
Federal Grants Fund			185,000	185,000
Public Properties Corporation Justice Center Debt Service Fund	44,200			44,200
Total Transfers Out	<u>\$ 44,200</u>	<u>\$ 124,760</u>	<u>\$ 5,795,000</u>	<u>\$ 5,963,960</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. Health Reimbursement Account/Flexible Spending Account**

The Marshall County Fiscal Court, in Fiscal Court Order One, established a health reimbursement account on October 11, 2011 to provide employees an additional health benefit. The county has contracted with a third-party administrator, to administer the plan. The plan provides a debit card to each eligible employee providing funds, determined by health insurance coverage, each year to pay for qualified medical expenses. Employees may also contribute additional pre-tax funds through payroll deductions. The account balance as of June 30, 2015 was \$19,297.

**Note 5. Receivables**

On November 30, 2012, Marshall County entered into an agreement with Kentucky Association of Counties Financing Corporation for the purpose of the construction of the arts commission building. The principal amount was \$320,000 at an effective interest rate of 3.656% for thirty years. A verbal agreement between the Marshall County Arts Commission and Marshall County Fiscal Court exists stating that debt is paid by the county and the arts commission in turn reimburses the county yearly. Ownership will go to the Marshall County Arts Commission at end of debt service term. As of June 30, 2015, the arts commission is in compliance with the verbal agreement with the county.

**Note 6. Long-term Debt**

**A. General Obligation Refunding Bonds, Series 2012**

On April 3, 2012, the Marshall County Public Properties Corporation (Corporation) issued General Obligation Refunding Bonds, Series 2012, in the amount of \$4,815,000 for the purpose of paying the cost of constructing a new county justice center facility and the cost of the issuance of the bonds. Principal payments are due March 1, beginning in 2013, and interest, which is variable at 1%-2.5%, is payable semiannually on March 1 and September 1, beginning September 1, 2012. The maturity date of the issue is March 1, 2022. The outstanding balance as of June 30, 2015 was \$3,440,000. Future principal and interest requirements are:

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

**Note 6. Long-term Debt (Continued)**

**A. General Obligation Refunding Bonds, Series 2012 (Continued)**

Fiscal Year Ended June 30	Principal	Interest
2016	\$ 460,000	\$ 77,100
2017	470,000	67,900
2018	480,000	58,500
2019	490,000	48,900
2020	500,000	37,875
2021-2022	<u>1,040,000</u>	<u>39,125</u>
Totals	<u>\$ 3,440,000</u>	<u>\$ 329,400</u>

The Corporation entered into a lease agreement with the Administrative Office of the Courts (AOC), which states that AOC agrees to pay a portion of the debt service requirements with the remaining portion to be paid by the Corporation.

The bonds are secured by a foreclosure first mortgage lien on the property and an assignment by the Corporation of its rights, title and interest in the lease with AOC.

**B. Financing Obligation – Blacktop Patcher**

On October 5, 2012, Marshall County entered into an agreement with KACoLT for the purchase of a blacktop patcher for \$64,200. The terms of this agreement consist of 60 principal and interest payments due monthly at an interest rate of 3.604%. The principal balance as of June 30, 2015, was \$30,066. Future principal and interest payments are as follows:

Fiscal Year Ended June 30	Principal	Interest
2016	\$ 12,021	\$ 813
2017	13,470	428
2018	<u>4,575</u>	<u>33</u>
Totals	<u>\$ 30,066</u>	<u>\$ 1,274</u>

**C. Financing Obligation – Arts Commission Building**

On November 30, 2012, Marshall County entered into an agreement with the Kentucky Association of Counties Finance Corporation for the purpose of the construction of the arts commission building. The terms of this agreement consist of monthly principal and interest payments for a term of thirty years at an interest rate of 3.656%. A verbal agreement exists between the Marshall County Arts Commission and Marshall County Fiscal Court (see Note 5) agreeing that the county is reimbursed yearly for the debt payments made and at maturity date the building will belong to the Marshall County Arts Commission. The principal balance as of June 30, 2015 was \$307,083. Future principal and interest payments are as follows:

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

**Note 6. Long-term Debt (Continued)**

**C. Financing Obligation – Arts Commission Building (Continued)**

Fiscal Year Ended June 30	Principal	Interest
2016	\$ 7,083	\$ 9,279
2017	10,000	9,970
2018	10,000	9,745
2019	10,000	9,520
2020	10,000	9,295
2021-2025	50,000	42,890
2026-2030	50,000	35,725
2031-2035	50,000	27,562
2036-2040	72,500	17,463
2041-2043	37,500	3,656
Totals	<u>\$ 307,083</u>	<u>\$ 175,105</u>

**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 Refunding Bonds	\$ 3,900,000	\$	\$ 460,000	\$ 3,440,000	\$ 460,000
Financing Obligations	354,917		17,768	337,149	19,104
Total Long-term Debt	<u>\$ 4,254,917</u>	<u>\$ 0</u>	<u>\$ 477,768</u>	<u>\$ 3,777,149</u>	<u>\$ 479,104</u>

**Note 7. Commitment**

The Marshall County Fiscal Court has entered into an Assistance Agreement with the Kentucky Infrastructure Authority in the amount of \$1,075,000 for the construction of two 150,000 gallon elevated water storage tanks. The project is being financed with a loan of \$275,000 and a grant of \$800,000 for a total cost not to exceed \$1,075,000. The project is in process and the total combined cost incurred at June 30, 2015 was \$1,068,337. Upon completion of the project, the fiscal court will enter into a loan with the Authority for repayment of the \$275,000. The loan is to be repaid over a period not to exceed 20 years from the date the loan is closed. The tanks will ultimately be owned by the City of Benton (Oak Level Tank) and the Jonathan Creek Water District (Brewers Tank) as agreed to by the parties in an Interlocal Cooperative Agreement with the Marshall County Fiscal Court and the City of Benton, Calvert City, City of Hardin, North Marshall Water District, and Jonathan Creek Water District. The water districts are reporting the assets on their own financial reports.

As of June 30, 2016, the county has borrowed \$268,337 of the approved \$275,000. The county is currently paying interest only until the project, which is currently on hold, is completed.

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

**Note 8. 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 \$1,543,651, FY 2014 was \$1,548,929, and FY 2015 was \$1,496,774

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.

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

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

**Note 8. Employee Retirement System (Continued)**

**A. Plan Description (Continued)**

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

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

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

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. 67 and 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, Marshall 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	\$ 5,579,000	\$ 4,996,000
Non-Hazardous	<u>7,384,000</u>	<u>6,526,000</u>
Totals	<u>\$ 12,963,000</u>	<u>\$ 11,522,000</u>

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

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

**Note 9. Deferred Compensation**

On February 4, 2000, the Marshall County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

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

**Note 10. Insurance**

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

**Note 11. Landfill Closure and Post-Closure Costs**

In 2002, the legislature passed House Bill No. 174 that among other things, provided for state assumption of responsibility for the costs of closure and remedial obligations for inactive solid waste landfills that ceased accepting waste prior to July 1, 1992. This is implemented as amendments to KRS 244, Subchapter 43. The Kentucky Division of Waste Management (Division) has determined that the Marshall County Landfill qualifies under this program for state assistance. However, as a necessary condition for performing this work, the Division required a legal right of entry granting permission for assessment and construction activities on the subject property. On February 8, 2005, the Marshall County Judge/Executive signed the right of entry to the Commonwealth of Kentucky and its authorized agents the right to enter upon this land for the purpose of performing such activities.

**Note 12. Payroll Revolving Account**

The reconciled balance of the payroll revolving account as of June 30, 2015, was added to the general fund cash balance for financing reporting purposes.

**Note 13. Related Party Transactions**

The Marshall County Fiscal Court entered into a catering transaction with a restaurant, in which the Marshall County Attorney owns an interest. Marshall County Fiscal Court paid the restaurant \$195 during the fiscal year ended June 30, 2015.



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

**Note 14. Prior Period Adjustments**

General Fund and Jail Fund:

Ending Cash Balance Prior Year	\$ 331,772
Adjustments:	
Prior Year Voided Checks -General Fund	<u>14</u>
Beginning Fund Balance - Restated	<u>\$ 331,786</u>
Ending Cash Balance Prior Year	\$ 150,359
Adjustments:	
Prior Year Voided Checks -Jail Fund	<u>687</u>
Beginning Fund Balance - Restated	<u>\$ 151,046</u>

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

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



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

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

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 2,270,000	\$ 2,285,775	\$ 2,588,317	\$ 302,542
In Lieu Tax Payments	930,500	940,365	991,685	51,320
Excess Fees	185,000	351,250	351,316	66
Licenses and Permits	105,000	126,000	133,637	7,637
Intergovernmental	291,100	519,700	495,586	(24,114)
Miscellaneous	295,000	298,920	273,934	(24,986)
Interest	500	500	6,385	5,885
Total Receipts	<u>4,077,100</u>	<u>4,522,510</u>	<u>4,840,860</u>	<u>318,350</u>
<b>DISBURSEMENTS</b>				
General Government	3,273,835	3,411,194	2,972,814	438,380
Protection to Persons and Property	626,000	654,830	595,055	59,775
General Health and Sanitation	182,400	182,500	147,609	34,891
Social Services	170,100	170,350	136,104	34,246
Recreation and Culture	761,100	796,900	789,522	7,378
Debt Service	131,220	87,020	22,586	64,434
Capital Projects	80,000	80,000	80,000	
Administration	3,460,400	3,683,071	2,993,924	689,147
Total Disbursements	<u>8,685,055</u>	<u>9,065,865</u>	<u>7,737,614</u>	<u>1,328,251</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(4,607,955)</u>	<u>(4,543,355)</u>	<u>(2,896,754)</u>	<u>1,646,601</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	4,307,955	4,307,955	2,944,000	(1,363,955)
Transfers To Other Funds		(44,200)	(44,200)	
Total Other Adjustments to Cash (Uses)	<u>4,307,955</u>	<u>4,263,755</u>	<u>2,899,800</u>	<u>(1,363,955)</u>
Net Change in Fund Balance	(300,000)	(279,600)	3,046	282,646
Fund Balance Beginning (Restated)	300,000	300,000	331,786	31,786
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 20,400</u>	<u>\$ 334,832</u>	<u>\$ 314,432</u>

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

	<b>ROAD FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 1,921,483	\$ 3,376,932	\$ 2,947,826	\$ (429,106)
Charges For Services	600	7,800	8,304	504
Miscellaneous	1,500	37,500	38,465	965
Interest	4,500	4,500	4,595	95
Total Receipts	<u>1,928,083</u>	<u>3,426,732</u>	<u>2,999,190</u>	<u>(427,542)</u>
<b>DISBURSEMENTS</b>				
Roads	3,565,636	5,092,095	4,966,903	125,192
Debt Service		14,300	14,100	200
Administration	550,400	629,050	524,946	104,104
Total Disbursements	<u>4,116,036</u>	<u>5,735,445</u>	<u>5,505,949</u>	<u>229,496</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(2,187,953)</u>	<u>(2,308,713)</u>	<u>(2,506,759)</u>	<u>(198,046)</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	<u>2,012,953</u>	<u>2,012,953</u>	<u>2,490,760</u>	<u>477,807</u>
Total Other Adjustments to Cash (Uses)	<u>2,012,953</u>	<u>2,012,953</u>	<u>2,490,760</u>	<u>477,807</u>
Net Change in Fund Balance	(175,000)	(295,760)	(15,999)	279,761
Fund Balance Beginning	<u>175,000</u>	<u>175,000</u>	<u>174,830</u>	<u>(170)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (120,760)</u>	<u>\$ 158,831</u>	<u>\$ 279,591</u>

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

	<b>JAIL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 1,227,000	\$ 1,227,000	\$ 1,685,981	\$ 458,981
Charges for Services	23,000	23,000	12,325	(10,675)
Miscellaneous	31,000	31,000	71,152	40,152
Interest	1,000	1,000	2,095	1,095
Total Receipts	<u>1,282,000</u>	<u>1,282,000</u>	<u>1,771,553</u>	<u>489,553</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	1,545,520	1,554,620	1,515,694	38,926
Administration	639,300	740,200	580,693	159,507
Total Disbursements	<u>2,184,820</u>	<u>2,294,820</u>	<u>2,096,387</u>	<u>198,433</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(902,820)</u>	<u>(1,012,820)</u>	<u>(324,834)</u>	<u>687,986</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	862,820	862,820	300,000	(562,820)
Total Other Adjustments to Cash (Uses)	<u>862,820</u>	<u>862,820</u>	<u>300,000</u>	<u>(562,820)</u>
Net Change in Fund Balance	(40,000)	(150,000)	(24,834)	125,166
Fund Balance Beginning (Restated)	<u>40,000</u>	<u>150,000</u>	<u>151,046</u>	<u>1,046</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 126,212</u>	<u>\$ 126,212</u>

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

<b>FEDERAL GRANT FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$	\$ 149,697	\$ 174,025	\$ 24,328
Miscellaneous		2,500	3,387	887
Total Receipts		152,197	177,412	25,215
<b>DISBURSEMENTS</b>				
General Health and Sanitation		93,144	93,072	72
Total Disbursements		93,144	93,072	72
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		59,053	84,340	25,287
<b>Other Adjustments to Cash (Uses)</b>				
Borrowed Money		41,307	41,307	
Transfers To Other Funds			(124,760)	(124,760)
Total Other Adjustments to Cash (Uses)		41,307	(83,453)	(124,760)
Net Change in Fund Balance		100,360	887	(99,473)
Fund Balance Beginning			6,527	6,527
Fund Balance - Ending	\$ 0	\$ 100,360	\$ 7,414	\$ (92,946)



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

<b>E911 FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 200,000	\$ 200,000	\$ 192,614	\$ (7,386)
Intergovernmental	150,000	150,000	150,350	350
Miscellaneous			2,530	2,530
Interest	1,500	1,500	1,132	(368)
Total Receipts	<u>351,500</u>	<u>351,500</u>	<u>346,626</u>	<u>(4,874)</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	488,300	491,500	474,250	17,250
Administration	183,200	180,000	137,060	42,940
Total Disbursements	<u>671,500</u>	<u>671,500</u>	<u>611,310</u>	<u>60,190</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(320,000)</u>	<u>(320,000)</u>	<u>(264,684)</u>	<u>55,316</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	<u>185,000</u>	<u>185,000</u>	<u>185,000</u>	
Total Other Adjustments to Cash (Uses)	<u>185,000</u>	<u>185,000</u>	<u>185,000</u>	
Net Change in Fund Balance	(135,000)	(135,000)	(79,684)	55,316
Fund Balance Beginning	<u>135,000</u>	<u>135,000</u>	<u>138,800</u>	<u>3,800</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 59,116</u>	<u>\$ 59,116</u>

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

**OCCUPATIONAL TAX ADMINISTRATOR FUND**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 4,300,000	\$ 4,300,000	\$ 5,379,409	\$ 1,079,409
Interest	10,000	20,000	24,100	4,100
Total Receipts	<u>4,310,000</u>	<u>4,320,000</u>	<u>5,403,509</u>	<u>1,083,509</u>
<b>DISBURSEMENTS</b>				
General Government	125,000	125,000	88,231	36,769
Administration	89,272	99,272		99,272
Total Disbursements	<u>214,272</u>	<u>224,272</u>	<u>88,231</u>	<u>136,041</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>4,095,728</u>	<u>4,095,728</u>	<u>5,315,278</u>	<u>1,219,550</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds				
Transfers To Other Funds	(7,370,728)	(7,370,728)	(5,795,000)	1,575,728
Total Other Adjustments to Cash (Uses)	<u>(7,370,728)</u>	<u>(7,370,728)</u>	<u>(5,795,000)</u>	<u>1,575,728</u>
Net Change in Fund Balance	(3,275,000)	(3,275,000)	(479,722)	2,795,278
Fund Balance Beginning	<u>3,275,000</u>	<u>3,275,000</u>	<u>3,258,839</u>	<u>(16,161)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,779,117</u>	<u>\$ 2,779,117</u>

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

<b>VETERAN'S VAN FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Miscellaneous	\$ 3,500	\$ 3,500	\$ 525	\$ (2,975)
Interest	10	10	17	7
Total Receipts	<u>3,510</u>	<u>3,510</u>	<u>542</u>	<u>(2,968)</u>
<b>DISBURSEMENTS</b>				
Other Transportation Facilities and Services	6,000	6,000	1,794	4,206
Administration	1,010	1,010		1,010
Total Disbursements	<u>7,010</u>	<u>7,010</u>	<u>1,794</u>	<u>5,216</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(3,500)</u>	<u>(3,500)</u>	<u>(1,252)</u>	<u>2,248</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	<u>2,000</u>	<u>2,000</u>		<u>(2,000)</u>
Total Other Adjustments to Cash (Uses)	<u>2,000</u>	<u>2,000</u>		<u>(2,000)</u>
Net Change in Fund Balance	(1,500)	(1,500)	(1,252)	248
Fund Balance Beginning	<u>1,500</u>	<u>1,500</u>	<u>2,631</u>	<u>1,131</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,379</u>	<u>\$ 1,379</u>

**MARSHALL 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. Reconciliation of the General Fund**

The Statement of Receipts, Disbursements, and Changes in Fund Balances – Regulatory Basis differs from the Budgetary Comparison Schedule for the General Fund in Other Adjustments to Cash (Uses) by \$264,172 due to the revolving payroll account balance.

Other Adjustments to Cash (Uses) - Budgetary Basis	\$ 2,899,800
Payroll Revolving Account	<u>264,172</u>
Total Other Adjustments to Cash (Uses) - Regulatory Basis	<u>\$ 3,163,972</u>
Fund Balance Ending - Budgetary Basis	\$ 334,832
Payroll Revolving Account	<u>264,172</u>
Total Fund Balance Ending (Restated) - Regulatory Basis	<u>\$ 599,004</u>

**MARSHALL COUNTY  
SUPPLEMENTARY SCHEDULE  
Supplementary Information - Regulatory Basis**

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



**MARSHALL 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	\$ 2,174,113	\$	\$	\$ 2,174,113
Buildings and Building Improvements	15,731,415	44,994		15,776,409
Vehicles and Equipment (Restated)	6,891,702	748,873	370,486	7,270,089
Infrastructure	12,173,670	2,260,540		14,434,210
	<u>12,173,670</u>	<u>2,260,540</u>	<u>370,486</u>	<u>14,434,210</u>
Total Capital Assets	<u>\$ 36,970,900</u>	<u>\$ 3,054,407</u>	<u>\$ 370,486</u>	<u>\$39,654,821</u>

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

**June 30, 2015**

**Note 1. Capital Assets**

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

	Capitalization Threshold	Useful Life (Years)
Land and Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Vehicles and Equipment	\$ 2,500	3-25
Infrastructure	\$ 20,000	10-50

**Note 2. Restatement of Beginning Balance**

Vehicles and Equipment was restated from prior year ending balance by \$24,200 due to an asset not accounted for 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 Kevin Neal, Marshall County Judge/Executive  
Members of the Marshall 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 Marshall County Fiscal Court for the fiscal year ended June 30, 2015, and the related notes to the financial statement which collectively comprise the Marshall County Fiscal Court's financial statement and have issued our report thereon dated June 23, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statement, we considered the Marshall 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 Marshall County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Marshall 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 and 2015-002 to be material weaknesses.



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

**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 Marshall 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 2015-003, 2015-006, 2015-007, and 2015-008.

**County Judge/Executive's Responses to Findings**

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

June 23, 2016

**MARSHALL COUNTY  
COMMENTS AND RECOMMENDATIONS**

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



**MARSHALL COUNTY**  
**COMMENTS AND RECOMMENDATIONS**

**Fiscal Year Ended June 30, 2015**

FINANCIAL STATEMENT FINDINGS:

2015-001 Internal Control Deficiencies Over Cash Resulted In An Unauthorized Cash Transfer

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The Marshall County Fiscal Court has deficiencies in internal controls over cash that resulted in an unauthorized cash transfer. Of the 16 cash transfers that were tested, one was not properly approved by the fiscal court, resulting in a \$500,000 unauthorized transfer.

Good internal controls over cash should include documented approval of cash transfers by the fiscal court prior to transferring any county funds. Without this approval, county funds could be misappropriated or misused. While of the items tested no funds were determined to be missing, the lack of proper oversight by the fiscal court did result in an unauthorized transfer and could have resulted in funds being used for purposes other than what they were intended.

We recommend the fiscal court require all cash transfers be approved by the fiscal court prior to the transfer being made. We also recommend such approvals be adequately documented in the fiscal court minutes.

*County Judge/Executive Neal's Response: Our budget reflected \$2,012,953 of approved for transfer from Occupational Tax Administrator Account to the Road Fund for Fiscal Year 2015. Due to expenses a \$500,000 transfer from the Occupational Tax Administrator Fund to the Road Fund was made prior to Fiscal Court approval. This occurrence was 1 out of 16 transfers.*

2015-002 Weak Internal Controls Over Capital Assets Resulted In The Omission Of Capital Asset Additions From The County's Schedule Of Capital Assets

---

Material weaknesses exist over the reporting of capital assets of Marshall County. The county's schedule of capital assets for the audit period failed to recognize all asset purchases that occurred throughout the year.

Strong internal controls over capital assets are necessary to ensure accurate financial reporting and to protect assets from misappropriation. By having weak internal controls over capital assets, they are left vulnerable to misappropriation or misstatement. Because the county failed to emphasize strong internal controls over the reporting of capital assets, these misstatements were able to occur without detection.

In order to strengthen the county's internal controls over capital assets, we recommend the county establish a detailed inventory system. This system should include a detailed description of each county asset, an inventory control number or serial number, the date acquired, purchase price, location, date destroyed or sold as surplus, and a brief description of why the asset was discarded. The inventory of county assets should be updated throughout the year as new assets are acquired or old assets are retired. We also recommend the county conduct a physical inspection of the county's assets at the end of each year to make comparisons to the county's list of inventoried assets.

*County Judge/Executive Neal's Response: We recognize this finding as a valid weakness in our internal controls and will take your recommendations into consideration to strengthen our capital assets schedule.*

**MARSHALL COUNTY  
COMMENTS AND RECOMMENDATIONS  
For The Year Ended June 30, 2015  
(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2015-003     The Marshall County Fiscal Court Failed To Report All Receipts And Disbursements Associated With All County Activities

---

During fiscal year 2015, Marshall County had multiple bank accounts that were excluded from the county's 4<sup>th</sup> quarter financial report and budget process. These accounts included activities associated with E-911, the Office of Emergency Management, the Marshall County Animal Shelter, and Geographical Information Systems. Due to the nature of these accounts and sources of funding, the county elected not to include the corresponding receipts and disbursements in the county's budget process or on the county's 4<sup>th</sup> quarter financial report. As a result, the county's 4<sup>th</sup> quarter financial report was misstated.

According to KRS 68.020(1), "The county treasurer shall receive and receipt for all money due the county from its collecting officers or from any other person whose duty it is to pay money into the county treasury, and shall disburse such money in such manner and for such purpose as may be authorized by appropriate authority of the fiscal court. He shall not disburse any money received by him for any purpose other than that for which it was collected and paid over to him, and when he pays out money he shall take a receipt therefor. All warrants for the payment of funds from the county treasury shall be co-signed by the county treasurer and the county judge/executive." Furthermore, having "off the books" accounts without fiscal court oversight leaves these funds susceptible to misappropriation.

We recommend the county comply with KRS 68.020 by including all receipts and disbursements associated with the county in the budget process and on the 4<sup>th</sup> quarter financial report. By doing so, the fiscal court can exercise its proper authority over said receipts and disbursements and reduce any risks associated with them.

*County Judge/Executive Neal's Response: 911, GIS, and Emergency Management Accounts have all been closed and should not affect any financial or budgeting reporting in the future. The Marshall County Animal Shelter Donation Fund Account will operate with greater oversight and reporting to Fiscal Court.*

2015-004     The Marshall County Fiscal Court Has A Lack Of Adequate Segregation Of Duties Over Receipts And Receivables

---

The Marshall County Fiscal Court lacks adequate segregation of duties over receipts and receivables. Due to a limited number of staff and the diversity of operations, the county treasurer is required to perform multiple tasks such as posting to the receipts ledger, preparing bank deposits, preparing bank reconciliations, and preparing financial reports.

Segregation of duties over these tasks, or the implementation of compensating controls when limited by the number of staff, is essential for providing protection from asset misappropriation and helping prevent inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

As a result, we recommend the county implement compensating controls to offset the lack of segregation of duties. Routine controls such as the comparison of the daily/monthly revenue journals to deposits as well as fiscal court or other review of the receipts ledger and bank reconciliations are controls that can be implemented by the county to reduce the risk that fraud or errors go undetected.

*County Judge/Executive Neal's Response: We have implemented practices outside of the Treasurer's Office to strengthen the process for which revenues are received and deposited.*



**MARSHALL COUNTY  
COMMENTS AND RECOMMENDATIONS  
For The Year Ended June 30, 2015  
(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2015-005     The Marshall County Detention Center Has A Lack Of Segregation Of Duties Over Jail Commissary Operations

---

The Marshall County Detention Center lacks adequate segregation of duties over the jail commissary operations. Due to a limited number of staff and the diversity of operations, the bookkeeper is required to perform multiple tasks such as posting to the receipts and disbursements ledgers, preparing bank deposits, preparing bank reconciliations, and preparing financial reports.

Segregation of duties over these tasks, or the implementation of compensating controls when limited by the number of staff, is essential for providing protection from asset misappropriation and helping prevent inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

To adequately prevent the misappropriation of assets, we recommend the jailer separate the duties of collecting receipts, deposit preparation, bank reconciliations, and other accounting functions. If these duties cannot be separated due to a limited number of staff, then strong oversight should be provided to the employee or employees responsible for these duties.

*Jailer's Response: The official did not respond.*

2015-006     The Marshall County Fiscal Court Has Internal Control Weaknesses And Non-Compliances Surrounding Payroll And Timekeeping

---

The following findings were noted with Marshall County's payroll:

- Multiple employees were not paid in accordance with the salary order approved by the fiscal court. This was due to miscalculations made on the annual salary order.
- Timesheets were not maintained for all county employees. Therefore, auditors could not determine if certain employees qualified for county benefits.
- All timesheets were not signed by supervisors.
- Raises awarded to detention center employees were not documented in the fiscal court minutes.

Strong internal controls over payroll and timekeeping are vital in ensuring that payroll amounts are calculated and accounted for properly. Strong internal controls are also important in protecting the county's assets and those given the responsibility of accounting for them, as well as helping make certain the county is in compliance with state statutes. Because the county failed to have either in place, the aforementioned findings occurred. In response to these findings, we recommend the following:

- Fiscal court strengthen internal controls over the approval of employees' salaries by comparing approved amounts to current pay rates and recalculating any approved raises. Such comparisons and calculations should be performed by individuals outside of payroll preparation.
- Timesheets should be properly maintained for all county employees.
- All timesheets should be signed by the corresponding employee and his or her supervisor.
- All raises and pay increases should be documented in the minutes of the fiscal court meetings.

**MARSHALL COUNTY  
COMMENTS AND RECOMMENDATIONS  
For The Year Ended June 30, 2015  
(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2015-006 The Marshall County Fiscal Court Has Internal Control Weaknesses And Non-Compliances Surrounding Payroll And Timekeeping (Continued)

---

By implementing the above recommendations, the county can strengthen its internal control system over payroll and timekeeping and reduce the risks of non-compliance and payroll errors, as well as protect itself against disputes regarding payroll amounts and employee benefits.

*County Judge/Executive Neal's Response: We concur with this finding and are purchasing software to strengthen these controls and eliminate non-compliance with timekeeping.*

2015-007 Decentralized Receipts Were Not Properly Turned Over To The County Treasurer

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The following findings were noted with the county's decentralized receipts:

- Fees collected at the Marshall County Detention Center were turned over to the county treasurer once a week.
- Fees collected at the Marshall County Animal Shelter were turned over to the county treasurer once a week.

KRS 68.210 states, "The administration of the county uniform budget system shall be under the supervision of the state local finance officer..." Minimum accounting requirements pursuant to KRS 68.210 and the *County Budget Preparation and State Local Finance Officer Policy Manual* include daily deposits intact into a federally insured banking institution. Because the county allowed decentralized receipts to be turned over to the county treasurer once a week, the county was not in compliance with KRS 68.210. Furthermore, not depositing receipts regularly leaves them more susceptible to misappropriation and theft.

We recommend the fiscal court comply with KRS 68.210 and the *County Budget Preparation and State Local Finance Officer Policy Manual* by requiring all funds collected in locations other than the Treasurer's office to be deposited on a daily basis.

*County Judge/Executive Neal's Response: We will implement changes to improve timely processing of receipts to comply with KRS 68.210.*

2015-008 The Marshall County Jailer Failed To Maintain Minimum Accounting Records For The Jail Commissary Resulting In Noncompliance With KRS 68.210

---

The Marshall County Jailer failed to maintain the minimum accounting records prescribed by the state local finance officer pursuant to KRS 68.210 and the *County Budget Preparation and State Local Finance Officer Policy Manual* to be utilized by county jailers for jail commissary funds, including daily checkout sheets and detailed receipts and disbursements journals. According to the *County Budget Preparation and State Local Finance Officer Policy Manual*, "At the end of each business day the Jailer or assigned personnel should separate individual receipts into categories listed on the check-out sheet" and deposit them on a daily basis. These receipts should then be posted by category to the jail commissary receipts journal. Each check written from the jail commissary account must be posted to the proper category listed on the jail commissary disbursements journal. Because the jailer did not utilize daily checkout sheets and the receipts and disbursements journals were not categorized, he was not in compliance with KRS 68.210.

**MARSHALL COUNTY  
COMMENTS AND RECOMMENDATIONS  
For The Year Ended June 30, 2015  
(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2015-008 The Marshall County Jailer Failed To Maintain Minimum Accounting Records For The Jail Commissary Resulting In Noncompliance With KRS 68.210 (Continued)

---

We recommend the jailer comply with the minimum accounting and reporting standards of KRS 68.210 by implementing daily checkout procedures. We also recommend the jailer use detailed receipts and disbursements journals to properly report the activities of the jail commissary.

*Jailer's Response: The official did not respond.*

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

**MARSHALL COUNTY FISCAL COURT**

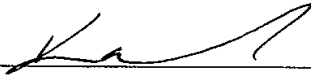
**For The Fiscal Year Ended  
June 30, 2015**



**CERTIFICATION OF COMPLIANCE**  
**LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**  
**MARSHALL COUNTY FISCAL COURT**

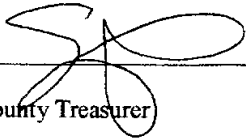
For The Fiscal Year Ended June 30, 2015

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



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County Judge/Executive



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County Treasurer

