

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

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



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

June 30, 2015

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

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

Financial Condition:

The Mason County Fiscal Court had total receipts of \$11,956,933 and disbursements of \$10,562,972 in fiscal year 2015. This resulted in a total ending fund balance of \$12,016,005, which is an increase of \$1,743,961 from the prior year.

Report Comment:

2015-001 Fund Transfers Were Made In Excess Of The Amount Approved By The Fiscal Court

Deposits:

The fiscal court's deposits as of June 30, 2015, were exposed to custodial credit risk as follows:

- Uncollateralized and Uninsured \$107,840

The fiscal court's deposits were covered by FDIC insurance and a properly executed collateral security agreement, but the bank did not adequately collateralize the fiscal court's deposits in accordance with the security agreement.

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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 Joseph P. Pfeffer, Mason County Judge/Executive
Members of the Mason 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 Mason County Fiscal Court, for the year ended June 30, 2015, and the related notes to the financial statement which collectively comprise the Mason County Fiscal Court's financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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



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

As described more fully in Note 1 of the financial statement, the financial statement is prepared by the Mason 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 Mason 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 Mason County Fiscal Court as of June 30, 2015, and their respective cash receipts and disbursements, and budgetary results for the year then ended, in accordance with the basis of accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of the Mason 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 February 28, 2017, on our consideration of the Mason 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 Mason County Fiscal Court's internal control over financial reporting and compliance.

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

2015-001 Fund Transfers Were Made In Excess Of The Amount Approved By The Fiscal Court

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

February 28, 2017

MASON COUNTY OFFICIALS

For The Year Ended June 30, 2015

Fiscal Court Members:

Joseph P. Pfeffer	County Judge/Executive
Joe McKay	Commissioner
Annette Walters	Commissioner
Phil Day	Commissioner

Other Elected Officials:

John Estill	County Attorney
Lisa O'Hearn	Jailer
Stephanie Schumacher	County Clerk
Kirk Tolle	Circuit Court Clerk
Patrick Boggs	Sheriff
Troy Cracraft	Property Valuation Administrator
David Lawrence	Coroner

Appointed Personnel:

Kim Muse	County Treasurer
Megan Davenport	Finance Officer

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

For The Year Ended June 30, 2015

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

For The Year Ended June 30, 2015

	<u>Budgeted Funds</u>		
	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>
RECEIPTS			
Taxes	\$ 3,600,309	\$	\$
In Lieu Tax Payments	21,395		
Excess Fees	97,804		
Licenses and Permits	40,212		
Intergovernmental	340,990	1,576,054	1,548,312
Charges for Services	2,125	10,965	69,345
Miscellaneous	347,256	11,538	157,964
Interest	4,226	274	36
Total Receipts	<u>4,454,317</u>	<u>1,598,831</u>	<u>1,775,657</u>
DISBURSEMENTS			
General Government	1,364,628		
Protection to Persons and Property	394,895		1,626,477
General Health and Sanitation	69,337		
Social Services	1,425		
Recreation and Culture	16,692		
Roads		1,071,742	
Airports			
Debt Service		26,565	101,675
Capital Projects			
Administration	1,158,682	241,839	575,091
Total Disbursements	<u>3,005,659</u>	<u>1,340,146</u>	<u>2,303,243</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>1,448,658</u>	<u>258,685</u>	<u>(527,586)</u>
Other Adjustments to Cash (Uses)			
Financing Obligation Proceeds			
Transfers From Other Funds		150,000	600,000
Transfers To Other Funds	(1,407,028)		
Total Other Adjustments to Cash (Uses)	<u>(1,407,028)</u>	<u>150,000</u>	<u>600,000</u>
Net Change in Fund Balance	41,630	408,685	72,414
Fund Balance - Beginning (Restated)	3,937,112	170,278	140,425
Fund Balance - Ending	<u>\$ 3,978,742</u>	<u>\$ 578,963</u>	<u>\$ 212,839</u>
Composition of Fund Balance			
Bank Balance	\$ 3,210,218	\$ 585,536	\$ 215,225
Plus: Deposits In Transit			
Less: Outstanding Checks	(181,476)	(6,573)	(2,386)
Certificate of Deposits	950,000		
Fund Balance - Ending	<u>\$ 3,978,742</u>	<u>\$ 578,963</u>	<u>\$ 212,839</u>

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

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

Budgeted Funds					
Local Government Economic Assistance Fund	State Grants Fund	Federal Fund	Solid Waste Fund	Landfill Fund	Garbage Collections Fund
\$	\$	\$	\$	\$ 9,406	\$
80,810		11,209	9,541 6,596 95,360	130,723 2,213,555 584,290	380,765
53,651			9	4,387	70
27					
<u>134,488</u>		<u>11,209</u>	<u>111,506</u>	<u>2,942,361</u>	<u>380,835</u>
30,266					
60,672		13,696			
28,325			191,312	1,332,687	272,517
41,761					
153,762					
99,991					
8,000					
				325,909	
				31,274	
9,915			62,069	393,080	65,818
<u>432,692</u>		<u>13,696</u>	<u>253,381</u>	<u>2,082,950</u>	<u>338,335</u>
(298,204)		(2,487)	(141,875)	859,411	42,500
				200,000	
275,000		1,021	125,000		
(19,197)					
<u>255,803</u>		<u>1,021</u>	<u>125,000</u>	<u>200,000</u>	
(42,401)		(1,466)	(16,875)	1,059,411	42,500
124,269	17,873	11,792	50,128	5,356,292	325,712
<u>\$ 81,868</u>	<u>\$ 17,873</u>	<u>\$ 10,326</u>	<u>\$ 33,253</u>	<u>\$ 6,415,703</u>	<u>\$ 368,212</u>
\$ 89,464	\$ 17,873	\$ 10,326	\$ 36,170	\$ 4,767,506	\$ 368,257
(7,596)			(2,917)	(1,822)	(45)
				1,650,019	
<u>\$ 81,868</u>	<u>\$ 17,873</u>	<u>\$ 10,326</u>	<u>\$ 33,253</u>	<u>\$ 6,415,703</u>	<u>\$ 368,212</u>

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

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

	<u>Unbudgeted Funds</u>		
	<u>Public Properties Corporation Fund</u>	<u>Jail Commissary Fund</u>	<u>Total Funds</u>
RECEIPTS			
Taxes	\$	\$	\$ 3,609,715
In Lieu Tax Payments			21,395
Excess Fees			97,804
Licenses and Permits			49,753
Intergovernmental	339,463	6,357	4,040,514
Charges for Services			2,772,115
Miscellaneous	2,246	199,523	1,356,468
Interest	16	124	9,169
Total Receipts	<u>341,725</u>	<u>206,004</u>	<u>11,956,933</u>
DISBURSEMENTS			
General Government			1,394,894
Protection to Persons and Property			2,095,740
General Health and Sanitation			1,894,178
Social Services			43,186
Recreation and Culture		125,125	295,579
Roads			1,171,733
Airports			8,000
Debt Service	614,667		1,068,816
Capital Projects			31,274
Administration		53,078	2,559,572
Total Disbursements	<u>614,667</u>	<u>178,203</u>	<u>10,562,972</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(272,942)</u>	<u>27,801</u>	<u>1,393,961</u>
Other Adjustments to Cash (Uses)			
Financing Obligation Proceeds	150,000		350,000
Transfers From Other Funds	275,204		1,426,225
Transfers To Other Funds			(1,426,225)
Total Other Adjustments to Cash (Uses)	<u>425,204</u>		<u>350,000</u>
Net Change in Fund Balance	152,262	27,801	1,743,961
Fund Balance - Beginning	34,229	103,934	10,272,044
Fund Balance - Ending	<u>\$ 186,491</u>	<u>\$ 131,735</u>	<u>\$ 12,016,005</u>
Composition of Fund Balance			
Bank Balance	\$ 186,491	\$ 132,045	\$ 9,619,111
Deposits In Transit		1,349	1,349
Less Outstanding Checks		(1,659)	(204,474)
Certificate of Deposits			2,600,019
Ending Fund Balance	<u>\$ 186,491</u>	<u>\$ 131,735</u>	<u>\$ 12,016,005</u>

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

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TO THE FINANCIAL STATEMENT**

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MASON COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2015

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statement of Mason County includes all budgeted and unbudgeted funds under the control of the Mason 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 Governmental Accounting Standards Board. This basis of accounting involves the reporting of fund balances and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) to meet the financial reporting requirements of the Department for Local Government and the laws of the Commonwealth of Kentucky.

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

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

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

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

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.

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of receipts for this fund are reimbursements from the state and federal governments, payments from other counties for housing prisoners, and transfers from the general fund. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the general fund.

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

State Grants 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.

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

Solid Waste Fund - The primary purpose of this fund is to account for activities related to solid waste management at the recycling center. The recycling center sells recyclable materials such as cardboard and aluminum to various vendors.

Landfill Fund - The primary purpose of this fund is to account for the activities of the Mason County - Maysville Landfill.

Garbage Collections Fund - The primary purpose of this fund is to account for the activities of the Mason County Garbage Collections service.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

Public Properties Corporation Fund - This fund is used to account for the activity of the Mason County Public Properties Corporation (MCPPC). Receipts and disbursements of this fund are generally restricted for specific purposes, such as issuance of debt for construction projects. 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). The profits generated from the sale of items are to be used for the benefit and to enhance the well-being of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the jail commissary fund.

MASON 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 Governmental 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 public properties corporation fund and the jail commissary fund to be budgeted because the fiscal court does not approve the expenses of these funds.

E. Mason County Elected Officials

Kentucky law provides for election of the officials listed below from the geographic area constituting Mason County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statement of the Mason County Fiscal Court.

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

F. Deposits and Investments

The government's fund balance is considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition. The government's fund balance includes cash and cash equivalents and investments.

KRS 66.480 authorizes the county to invest in obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

MASON 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.

H. Related Organizations and Jointly Governed Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing body. Based on this criteria, the Western Mason Water District and Western Lewis-Rectorville Water District are considered related organizations of the Mason County Fiscal Court.

A jointly governed organization is an entity that results from a multi-governmental arrangement that is governed by representatives from each participating government. The entity provides services to the citizens of each participating government, but there is no ongoing financial interest or responsibility by the participating government. The jointly governed organization can act independently of each of the participating governments. Based upon these criteria, the following are considered jointly governed organizations of the Mason County Fiscal Court: Mason County-City of Maysville Tourism Commission, Mason County-City of Maysville Industrial Development, Mason County-City of Maysville Parks and Recreation, Mason County-City of Maysville Ambulance Service, Mason County-City of Maysville Planning and Zoning Commission, Mason County-City of Maysville E-911, and the Fleming-Mason Airport.

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.

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. On June 30, 2015, the fiscal court's bank balance was exposed to custodial credit risk because the bank did not adequately collateralize the fiscal court's deposits in accordance with the security agreement.

- Uncollateralized and Uninsured \$107,840

MASON 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	LGEA Fund	Total Transfers In
Road Fund	\$ 150,000	\$	\$ 150,000
Jail Fund	600,000		600,000
LGEA Fund	275,000		275,000
Federal Fund	1,021		1,021
Solid Waste Fund	125,000		125,000
Public Properties Corporation Fund	256,007	19,197	275,204
Total Transfers Out	\$ 1,407,028	\$ 19,197	\$ 1,426,225

Reason for transfers:

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

Note 4. Agency Trust Funds

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

The fiscal court has the following agency trust funds:

Employees' Christmas Club Account - This fund accounts for funds voluntarily withheld from the employees' wages and deposited in the bank until funds are annually paid to the employees. The balance in the Employees' Christmas Club Account as of June 30, 2015 was \$11,536.

FSA/HRA Account - This fund accounts for employee and employer contributions to reimburse employees for health care expenses. The county has contracted with a third-party administrator to administer the plan. The plan provides a debit card to each eligible employee providing \$1,700 each year for a single plan and \$2,700 each year for a family plan to pay for qualified medical expenses. Employees may also contribute additional pre-tax funds through payroll deduction. The balance as of June 30, 2015 was \$11,223.

Note 5. Short-term Debt

A. Loan Agreement - Historical Property

On October 7, 2013, the Mason County Public Properties Corporation entered into a \$220,000 loan agreement to purchase the Charles Young birthplace property. The loan interest rate was 1.55 percent with one principal and interest payment due on October 7, 2014. This loan was paid in full as of June 30, 2015.

B. Loan Agreement - Landfill

On July 15, 2014, the Mason County Fiscal Court entered into a \$200,000 loan agreement to purchase a landfill compactor. The loan interest rate was 2.75 percent. Loan principal with interest payments began on September 30, 2014, and then are due the last day of each three month period thereafter. The principal and any unpaid accrued interest are due on June 30, 2014. The loan was paid in full as of June 30, 2015.

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

Note 5. Short-term Debt (Continued)

C. Loan Agreement - Charles Young Birthplace Project

On October 7, 2014, the Mason County Public Properties Corporation entered into a \$150,000 loan agreement for the Charles Young birthplace project. The loan interest rate was 1.55 percent with one principal and interest payment due on October 7, 2015. The total principal balance was \$150,000 as of June 30, 2015.

D. Changes In Short-term Debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Financing Obligations	\$ 220,000	\$ 350,000	\$ 420,000	\$ 150,000	\$ 150,000
Total Short-term Debt	<u>\$ 220,000</u>	<u>\$ 350,000</u>	<u>\$ 420,000</u>	<u>\$ 150,000</u>	<u>\$ 150,000</u>

Note 6. Long-term Debt

A. First Mortgage Refund Revenue Bonds Series 2007

In March 2007, the Mason County Public Properties Corporation issued \$4,910,000 first mortgage revenue refunding bonds for the purpose of paying the outstanding principal and interest of the Mason County Public Properties Corporation first mortgage revenue bonds, Series 1999. Principal payments are due each year on March 1 and interest is payable each year on September 1 and March 1. The total principal balance was \$3,325,000 as of June 30, 2015. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2016	\$ 245,000	\$ 128,012
2017	255,000	118,580
2018	265,000	108,763
2019	275,000	98,560
2020	290,000	87,972
2021 - 2025	1,630,000	263,533
2026	<u>365,000</u>	<u>14,052</u>
Totals	<u>\$ 3,325,000</u>	<u>\$ 819,472</u>

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

Note 6. Long-term Debt (Continued)

B. Financing Obligation - Elderly Housing Phase I (Buffalo Trace Area Development District)

In December 1998, the Mason County Public Properties Corporation entered into a note with the Buffalo Trace Area Development District for rehabilitation of housing for the elderly. The note was for \$42,000 with an interest rate of two percent per year. The agreement requires annual payments of principal and interest on September 30 of each year. The total principal balance was \$12,981 as of June 30, 2015. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Interest
2016	\$ 2,327	\$ 242
2017	2,373	196
2018	2,420	148
2019	2,469	100
2020	3,392	50
Totals	<u>\$ 12,981</u>	<u>\$ 736</u>

C. Financing Obligation - Elderly Housing Phase I (Kentucky Housing Corporation)

In March 1999, the Mason County Public Properties Corporation entered into a note with the Kentucky Housing Corporation for rehabilitation of housing for the elderly. The note was for \$135,366 with an interest rate of two percent per year. The agreement requires annual payments of principal and interest on July 1 of each year. The total principal balance was \$30,807 as of June 30, 2015. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2016	\$ 0	\$ 0
2017	7,648	630
2018	7,801	477
2019	7,957	321
2020	7,401	162
Totals	<u>\$ 30,807</u>	<u>\$ 1,590</u>

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

Note 6. Long-term Debt (Continued)

D. Financing Obligation - Elderly Housing Phase II (Kentucky Housing Corporation)

On March 1, 2006, the Mason County Fiscal Court entered into a lease agreement with the Kentucky Housing Corporation for rehabilitation of housing for the elderly. The lease was for \$136,000 with an interest rate of 3.50 percent per year. The agreement requires annual payments of principal and interest on August 1 of each year. The total principal balance was \$108,875 as of June 30, 2015. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2016	\$ 3,575	\$ 3,754
2017	3,702	3,627
2018	3,834	3,495
2019	3,970	3,358
2020	4,111	3,217
2021 - 2025	22,856	13,786
2026 - 2030	27,220	9,422
2031 - 2035	32,416	4,225
2036	7,191	137
Totals	<u>\$ 108,875</u>	<u>\$ 45,021</u>

E. Financing Obligation - Elderly Housing Phase II (Buffalo Trace Area Development District)

On August 15, 2006, the Mason County Public Properties Corporation entered into a note with the Buffalo Trace Area Development District for Phase II housing for the elderly. The note was for \$20,000 with an interest rate of three percent per year. The agreement requires annual payments of principal and interest on August 15 of each year. The total principal balance was \$15,028 as of June 30, 2015. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2016	\$ 549	\$ 472
2017	566	455
2018	583	438
2019	600	421
2020	618	403
2021 - 2025	3,381	1,724
2026 - 2030	3,919	1,186
2031 - 2035	4,543	562
2036	269	29
Totals	<u>\$ 15,028</u>	<u>\$ 5,690</u>

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

Note 6. Long-term Debt (Continued)

F. Financing Obligation - Landfill Construction Phases IV and V

On August 18, 2009, the Mason County Fiscal Court entered into a lease agreement for Landfill Phase IV and Phase V construction. The lease is for \$1,300,000 and requires a semi-annual payment of \$60,329, which includes 4.5 percent interest through and including July 15, 2013, and thereafter for each succeeding five-year period at a rate equal to the five-year interest rate for US Treasury Obligations, as published by the lessor's treasury department, plus 227 basis points multiplied by .65, as calculated on July 15, 2013 and July 15, 2018. The principal balance was \$804,425 as of June 30, 2015. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2016	\$ 102,001	\$ 18,656
2017	104,460	16,197
2018	106,953	13,705
2019	109,533	11,124
2020	112,176	8,481
2021 - 2023	<u>269,302</u>	<u>9,218</u>
Totals	<u>\$ 804,425</u>	<u>\$ 77,381</u>

G. Financing Obligation - International Dump Truck

On November 10, 2011, the Mason County Fiscal Court entered into a lease agreement to purchase a 2012 International Dump Truck. The lease is for \$96,542 at an interest rate of 3.95 percent per year. The agreement requires annual payments of principal and interest on November 10 of each year. The total principal balance was \$25,515 as of June 30, 2015. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2016	<u>\$ 25,515</u>	<u>\$ 979</u>
Totals	<u>\$ 25,515</u>	<u>\$ 979</u>

H. Financing Obligation - Detention Center Equipment

On February 3, 2013, the Mason County Fiscal Court entered into a lease agreement to purchase detention center equipment. The lease was for \$262,750 at an interest rate of three percent. The agreement requires annual payments of principal and interest on February 5 of each year. This agreement was paid in full as of June 30, 2015.

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

Note 6. Long-term Debt (Continued)

I. Changes In Long-term Debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Refunding Bonds	\$ 3,560,000	\$	\$ 235,000	\$ 3,325,000	\$ 245,000
Financing Obligations	1,236,877		239,246	997,631	133,967
Total Long-term Debt	<u>\$ 4,796,877</u>	<u>\$ 0</u>	<u>\$ 474,246</u>	<u>\$ 4,322,631</u>	<u>\$ 378,967</u>

Note 7. Employee Retirement System

A. Plan Description

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

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

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

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Members contribute five percent (nonhazardous) and eight percent (hazardous) of their annual creditable compensation and 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.

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

Note 7. Employee Retirement System (Continued)

A. Plan Description (Continued)

The county's contribution for FY 2013 was \$731,823, FY 2014 was \$699,942, and FY 2015 was \$668,915.

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

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:

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.

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

Note 7. Employee Retirement System (Continued)

B. Net Pension Liability

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

	June 30, 2014	June 30, 2015
Hazardous	\$ 1,559,000	\$ 1,396,000
Non-Hazardous	4,233,000	3,741,000
Totals	<u>\$ 5,792,000</u>	<u>\$ 5,137,000</u>

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

Note 8. Deferred Compensation

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

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

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

Note 9. Insurance

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

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

Note 10. Landfill Closure And Post-Closure Care

401 KAR 48:310 requires the owner or operator of a landfill to have “a detailed written estimate, in current dollars, of the cost of hiring a third party to close the solid waste disposal site” and to conduct each phase of closure care monitoring and maintenance in accordance with the closure plan.

Through an inter-local agreement with the City of Maysville, the Mason County Fiscal Court manages the operation and accounts for the Maysville-Mason County Landfill. The landfill consists of the following cells:

- 1) The 21.5-acre residual cell that was capped in fiscal years ending 2001/2002 for \$1,318,003. Post-closure care costs are estimated at \$218,400.
- 2) The 41.0-acre contained cell has been operational since January 30, 1997. As of June 30, 2015, 30 percent of this cell’s capacity had been used.
- 3) The residual/CDD cell is for Dayton Power and Light (DP&L) and has been operational since April 1, 2008. As of June 30, 2015, 53 percent of this cell’s capacity had been used. DP&L is responsible for all closure costs for this cell. DP&L makes regular payments to Mason County to fund the closure costs.

The most recent estimated closure cost for the landfill is \$2,182,833 with estimated post-closure costs of \$1,837,266. Mason County is required to collect and segregate 15 percent of gross receipts of the landfill and account for it in a restricted Landfill Closure Fund. The balance maintained for the closure of the contained cell and residual/CDD cell as of June 30, 2015 was \$2,912,123. The City of Maysville and Mason County will jointly fund post-closure costs.

The estimates above are based on information as of the audit date and can be altered based on inflation/deflation, technology, laws, and regulations.

Note 11. Related Party Transactions

The former county judge/executive’s son-in-law is a licensed veterinarian and owner of a veterinary clinic. For fiscal year ended June 30, 2015, the fiscal court requested bids for euthanasia services for the animal shelter. This veterinary clinic’s bid was the only bid submitted and was therefore awarded the bid. The Mason County Fiscal Court paid a total of \$4,648 to the veterinary clinic during fiscal year ended June 30, 2015. This related party transaction has previously been presented to the Mason County Code of Ethics Committee and they found no breach of the Mason County Code of Ethics.

Note 12. Prior Period Adjustments

The beginning balance reported on the *Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis* for the general, jail, and LGEA funds have been restated by an increase of \$121, \$531, and \$26, respectively. The restatements are due to prior year voided checks. The beginning balance reported on the *Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis* for the landfill fund was restated by a decrease of \$1 due to rounding errors.

MASON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2015

MASON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2015

	GENERAL FUND			
	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
RECEIPTS				
Taxes	\$ 3,071,000	\$ 3,071,000	\$ 3,600,309	\$ 529,309
In Lieu Tax Payments	21,395	21,395	21,395	
Excess Fees	75,325	75,325	97,804	22,479
Licenses and Permits	39,100	39,100	40,212	1,112
Intergovernmental	345,700	345,700	340,990	(4,710)
Charges for Services	1,000	1,000	2,125	1,125
Miscellaneous	420,500	420,500	347,256	(73,244)
Interest	1,000	1,000	4,226	3,226
Total Receipts	<u>3,975,020</u>	<u>3,975,020</u>	<u>4,454,317</u>	<u>479,297</u>
DISBURSEMENTS				
General Government	1,371,723	1,509,330	1,364,628	144,702
Protection to Persons and Property	299,200	398,180	394,895	3,285
General Health and Sanitation	85,500	96,675	69,337	27,338
Social Services	8,800	8,800	1,425	7,375
Recreation and Culture	20,000	20,000	16,692	3,308
Bus Services	10,000	10,000		10,000
Debt Service	95,000	272,000		272,000
Capital Projects	30,000	30,000		30,000
Administration	2,754,797	2,317,690	1,158,682	1,159,008
Total Disbursements	<u>4,675,020</u>	<u>4,662,675</u>	<u>3,005,659</u>	<u>1,657,016</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(700,000)</u>	<u>(687,655)</u>	<u>1,448,658</u>	<u>2,136,313</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	<u>(1,300,000)</u>	<u>(1,300,000)</u>	<u>(1,407,028)</u>	<u>(107,028)</u>
Total Other Adjustments to Cash (Uses)	<u>(1,300,000)</u>	<u>(1,300,000)</u>	<u>(1,407,028)</u>	<u>(107,028)</u>
Net Change in Fund Balance	(2,000,000)	(1,987,655)	41,630	2,029,285
Fund Balance - Beginning	<u>2,000,000</u>	<u>2,000,000</u>	<u>3,937,112</u>	<u>1,937,112</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 12,345</u>	<u>\$ 3,978,742</u>	<u>\$ 3,966,397</u>

MASON 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	\$ 1,115,935	\$ 1,115,935	\$ 1,576,054	\$ 460,119
Charges for Services	11,000	11,000	10,965	(35)
Miscellaneous	60,500	60,500	11,538	(48,962)
Interest	300	300	274	(26)
Total Receipts	<u>1,187,735</u>	<u>1,187,735</u>	<u>1,598,831</u>	<u>411,096</u>
DISBURSEMENTS				
Roads	1,186,400	1,268,271	1,071,742	196,529
Debt Service	26,566	26,626	26,565	61
Administration	449,769	367,838	241,839	125,999
Total Disbursements	<u>1,662,735</u>	<u>1,662,735</u>	<u>1,340,146</u>	<u>322,589</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(475,000)</u>	<u>(475,000)</u>	<u>258,685</u>	<u>733,685</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	
Total Other Adjustments to Cash (Uses)	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	
Net Change in Fund Balance	(325,000)	(325,000)	408,685	733,685
Fund Balance - Beginning	<u>325,000</u>	<u>325,000</u>	<u>170,278</u>	<u>(154,722)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 578,963</u>	<u>\$ 578,963</u>

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

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,350,250	\$ 1,350,250	\$ 1,548,312	\$ 198,062
Charges for Services	84,000	84,000	69,345	(14,655)
Miscellaneous	110,800	110,800	157,964	47,164
Interest	50	50	36	(14)
Total Receipts	<u>1,545,100</u>	<u>1,545,100</u>	<u>1,775,657</u>	<u>230,557</u>
DISBURSEMENTS				
Protection to Persons and Property	1,622,021	1,760,071	1,626,477	133,594
Debt Service	67,949	102,249	101,675	574
Administration	815,130	642,780	575,091	67,689
Total Disbursements	<u>2,505,100</u>	<u>2,505,100</u>	<u>2,303,243</u>	<u>201,857</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(960,000)</u>	<u>(960,000)</u>	<u>(527,586)</u>	<u>432,414</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	700,000	700,000	600,000	(100,000)
Lease Proceeds	10,000	10,000		(10,000)
Total Other Adjustments to Cash (Uses)	<u>710,000</u>	<u>710,000</u>	<u>600,000</u>	<u>(110,000)</u>
Net Change in Fund Balance	(250,000)	(250,000)	72,414	322,414
Fund Balance - Beginning	<u>250,000</u>	<u>250,000</u>	<u>140,425</u>	<u>(109,575)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 212,839</u>	<u>\$ 212,839</u>

MASON 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	\$ 310,000	\$ 310,000	\$ 80,810	\$ (229,190)
Miscellaneous	29,000	29,000	53,651	24,651
Interest	50	50	27	(23)
Total Receipts	<u>339,050</u>	<u>339,050</u>	<u>134,488</u>	<u>(204,562)</u>
DISBURSEMENTS				
General Government	66,000	66,500	30,266	36,234
Protection to Persons and Property	40,000	70,088	60,672	9,416
General Health and Sanitation	43,000	43,000	28,325	14,675
Social Services	34,800	48,380	41,761	6,619
Recreation and Culture	236,000	236,000	153,762	82,238
Roads	100,000	100,000	99,991	9
Airports	8,000	8,000	8,000	
Debt Service	22,000	22,000		22,000
Administration	92,250	48,082	9,915	38,167
Total Disbursements	<u>642,050</u>	<u>642,050</u>	<u>432,692</u>	<u>209,358</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(303,000)</u>	<u>(303,000)</u>	<u>(298,204)</u>	<u>4,796</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	200,000	200,000	275,000	75,000
Transfers To Other Funds			(19,197)	(19,197)
Total Other Adjustments to Cash (Uses)	<u>200,000</u>	<u>200,000</u>	<u>255,803</u>	<u>55,803</u>
Net Change in Fund Balance	(103,000)	(103,000)	(42,401)	60,599
Fund Balance - Beginning	<u>103,000</u>	<u>103,000</u>	<u>124,269</u>	<u>21,269</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 81,868</u>	<u>\$ 81,868</u>

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

STATE GRANTS FUND				
	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
RECEIPTS				
Intergovernmental	\$ 25,000	\$ 25,000	\$	\$ (25,000)
Total Receipts	<u>25,000</u>	<u>25,000</u>		<u>(25,000)</u>
DISBURSEMENTS				
Protection to Persons and Property	27,000	27,000		27,000
Total Disbursements	<u>27,000</u>	<u>27,000</u>		<u>27,000</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(2,000)</u>	<u>(2,000)</u>		<u>2,000</u>
Net Change in Fund Balance	(2,000)	(2,000)		2,000
Fund Balance Beginning	<u>2,000</u>	<u>2,000</u>	17,873	<u>15,873</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 17,873</u>	<u>\$ 17,873</u>

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

	FEDERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 168,000	\$ 168,000	\$ 11,209	\$ (156,791)
Total Receipts	<u>168,000</u>	<u>168,000</u>	<u>11,209</u>	<u>(156,791)</u>
DISBURSEMENTS				
Protection to Persons and Property	168,000	181,245	13,696	167,549
Administration	900			
Total Disbursements	<u>168,900</u>	<u>181,245</u>	<u>13,696</u>	<u>167,549</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(900)</u>	<u>(13,245)</u>	<u>(2,487)</u>	<u>10,758</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			1,021	1,021
Total Other Adjustments to Cash (Uses)			<u>1,021</u>	<u>1,021</u>
Net Change in Fund Balance	(900)	(13,245)	(1,466)	11,779
Fund Balance - Beginning	900	900	11,792	10,892
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (12,345)</u>	<u>\$ 10,326</u>	<u>\$ 22,671</u>

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

	SOLID WASTE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Licenses and Permits	\$ 10,000	\$ 10,000	\$ 9,541	\$ (459)
Intergovernmental	33,000	33,000	6,596	(26,404)
Charges for Services	125,500	125,500	95,360	(30,140)
Interest	50	50	9	(41)
Total Receipts	<u>168,550</u>	<u>168,550</u>	<u>111,506</u>	<u>(57,044)</u>
DISBURSEMENTS				
General Health and Sanitation	256,300	256,905	191,312	65,593
Debt Service	200	200		200
Capital Projects	33,000	33,000		33,000
Administration	129,050	128,445	62,069	66,376
Total Disbursements	<u>418,550</u>	<u>418,550</u>	<u>253,381</u>	<u>165,169</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(250,000)</u>	<u>(250,000)</u>	<u>(141,875)</u>	<u>108,125</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>175,000</u>	<u>175,000</u>	<u>125,000</u>	<u>(50,000)</u>
Total Other Adjustments to Cash (Uses)	<u>175,000</u>	<u>175,000</u>	<u>125,000</u>	<u>(50,000)</u>
Net Change in Fund Balance	(75,000)	(75,000)	(16,875)	58,125
Fund Balance - Beginning	<u>75,000</u>	<u>75,000</u>	<u>50,128</u>	<u>(24,872)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 33,253</u>	<u>\$ 33,253</u>

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

	LANDFILL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 8,000	\$ 8,000	\$ 9,406	\$ 1,406
Intergovernmental	115,000	115,000	130,723	15,723
Charges for Services	2,060,000	2,060,000	2,213,555	153,555
Miscellaneous	570,400	570,400	584,290	13,890
Interest	6,000	6,000	4,387	(1,613)
Total Receipts	<u>2,759,400</u>	<u>2,759,400</u>	<u>2,942,361</u>	<u>182,961</u>
DISBURSEMENTS				
General Health and Sanitation	1,733,750	1,824,818	1,332,687	492,131
Debt Service	380,000	380,000	325,909	54,091
Capital Projects	225,000	225,975	31,274	194,701
Administration	4,345,650	4,253,607	393,080	3,860,527
Total Disbursements	<u>6,684,400</u>	<u>6,684,400</u>	<u>2,082,950</u>	<u>4,601,450</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(3,925,000)</u>	<u>(3,925,000)</u>	<u>859,411</u>	<u>4,784,411</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds	150,000	150,000	200,000	50,000
Transfers From Other Funds	25,000	25,000		(25,000)
Total Other Adjustments to Cash (Uses)	<u>175,000</u>	<u>175,000</u>	<u>200,000</u>	<u>25,000</u>
Net Change in Fund Balance	(3,750,000)	(3,750,000)	1,059,411	4,809,411
Fund Balance - Beginning	<u>3,750,000</u>	<u>3,750,000</u>	<u>5,356,292</u>	<u>1,606,292</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 6,415,703</u>	<u>\$ 6,415,703</u>

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

GARBAGE COLLECTIONS FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Charges for Services	\$ 370,000	\$ 370,000	\$ 380,765	\$ 10,765
Interest	75	75	70	(5)
Total Receipts	<u>370,075</u>	<u>370,075</u>	<u>380,835</u>	<u>10,760</u>
DISBURSEMENTS				
General Health and Sanitation	307,800	333,586	272,517	61,069
Administration	312,275	286,489	65,818	220,671
Total Disbursements	<u>620,075</u>	<u>620,075</u>	<u>338,335</u>	<u>281,740</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(250,000)</u>	<u>(250,000)</u>	<u>42,500</u>	<u>292,500</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>50,000</u>	<u>50,000</u>		<u>(50,000)</u>
Total Other Adjustments to Cash (Uses)	<u>50,000</u>	<u>50,000</u>		<u>(50,000)</u>
Net Change in Fund Balance	(200,000)	(200,000)	42,500	242,500
Fund Balance - Beginning	<u>200,000</u>	<u>200,000</u>	<u>325,712</u>	<u>125,712</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 368,212</u>	<u>\$ 368,212</u>

MASON COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2015

Note 1. Budgetary Information

Annual budgets are adopted on a cash 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 Governmental 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.

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

MASON 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 (Restated)	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 2,648,218	\$	\$	\$ 2,648,218
Buildings and Building Improvements	19,353,509	136,449		19,489,958
Vehicles	1,593,802	69,585	157,308	1,506,079
Equipment	6,305,033	38,765	19,107	6,324,691
Furniture and Office Equipment	581,805		87,702	494,103
Infrastructure	5,440,319	304,273		5,744,592
 Total Capital Assets	 <u>\$ 35,922,686</u>	 <u>\$ 549,072</u>	 <u>\$ 264,117</u>	 <u>\$ 36,207,641</u>

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

June 30, 2015

Note 1. Capital Assets

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

	Capitalization Threshold	Useful Life (Years)
Land	\$ 1	
Land Improvements	\$ 2,500	10 - 60
Buildings	\$ 2,500	10 - 75
Building Improvements	\$ 2,500	5 - 75
Machinery and Equipment	\$ 2,500	3 - 25
Furniture and Fixtures	\$ 2,500	3 - 25
Vehicles	\$ 2,500	3 - 25
Infrastructure	\$ 2,500	10 - 50

Note 2. Beginning Balance Restatement

The beginning balances for Land and Land Improvements, Buildings and Building Improvements, Vehicles, Furniture and Office Equipment, and Infrastructure were adjusted by \$136,000, \$346,750, \$(48,982), \$2,789, and \$717,234, respectively, to correct prior year errors and omissions.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Joseph P. Pfeffer, Mason County Judge/Executive
Members of the Mason 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 Mason County Fiscal Court for the fiscal year ended June 30, 2015 and the related notes to the financial statement which collectively comprise the Mason County Fiscal Court's financial statement and have issued our report thereon dated February 28, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Mason County Fiscal Court's internal control over financial reporting (internal control) to determine audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Mason County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Mason 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 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. 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.



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 Mason 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying comment and recommendation as item 2015-001.

County Judge/Executive's Response to Finding

The Mason County Judge/Executive's response to the finding identified in our audit is included in the accompanying comment and recommendation. The Mason County Judge/Executive'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,



Mike Harmon
Auditor of Public Accounts

February 28, 2017

**MASON COUNTY
COMMENT AND RECOMMENDATION**

For The Year Ended June 30, 2015

MASON COUNTY
COMMENT AND RECOMMENDATION

Fiscal Year Ended June 30, 2015

STATE LAWS AND REGULATIONS:

2015-001 Fund Transfers Were Made In Excess Of The Amount Approved By The Fiscal Court

Fund transfers were made in excess of the amount approved by the fiscal court. The treasurer requests pre-approval for fund transfers at the beginning of the fiscal year. During the fiscal year, the treasurer also presents transfers as they are made for fiscal court approval. At the end of the fiscal year, transfers exceeded the approved amounts. There were unauthorized transfers of \$50,000 from the general fund to the road fund, \$100,000 from the general fund to the jail fund, \$75,000 from the general fund to the LGEA fund, and \$25,000 from the general fund to the solid waste fund. This is a total of \$250,000 of unauthorized transfers that occurred without approval by the fiscal court. The Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual* states "[a]ll transfers require a court order." This is to ensure the fiscal court is aware of all financial activity that occurs. We recommend all fund transfers be approved by the fiscal court.

County Judge/Executive's Response: This was an oversight. The Fiscal Court was aware of the transfer and it was approved at the following meeting. I will not allow it to happen again.

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

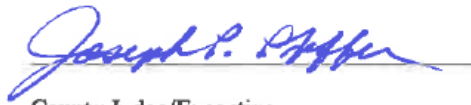
MASON COUNTY FISCAL COURT

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


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

For The Fiscal Year Ended June 30, 2015

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

A handwritten signature in blue ink, reading "Joseph P. Poffen", written over a horizontal line.

County Judge/Executive

A handwritten signature in black ink, reading "Kimberly P. Muse", written over a horizontal line.

County Treasurer

