

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

**For The Fiscal Year Ended  
June 30, 2017**



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## PEEROY AND GRAY, PSC

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To the People of Kentucky

Honorable Matthew G. Bevin, Governor

William M. Landrum III, Secretary

Finance and Administration Cabinet

Honorable Dan Ison, Shelby County Judge/Executive

Members of the Shelby County Fiscal Court

### Independent Auditor's Report

#### **Report on the Financial Statement**

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of Shelby County Fiscal Court, for the year ended June 30, 2017, and the related notes to the financial statement which collectively comprise the Shelby County Fiscal Court's financial statement as listed in the table of contents.

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

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

#### **Auditor's Responsibility**

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

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

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

To the People of Kentucky  
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### **Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles**

As described in Note 1 of the financial statement, the financial statement is prepared by Shelby County Fiscal Court on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

### **Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Shelby County Fiscal Court as of June 30, 2017, 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 Shelby County Fiscal Court as of June 30, 2017, 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 Shelby County Fiscal Court. The Budgetary Comparison Schedules and Capital Asset Schedule are presented for purposes of additional analysis and are not a required part of the financial statement, however they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

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

To the People of Kentucky  
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Honorable Dan Ison, Shelby County Judge/Executive  
Members of the Shelby County Fiscal Court

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2018 on our consideration of Shelby County Fiscal Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Shelby County Fiscal Court's internal control over financial reporting and compliance.

Based on the results of our audit, we present the accompanying Schedule of Findings and Responses included herein, which discusses the following report finding:

**2017-001 The Fiscal Court Did Not Follow The Approved Capital Asset Policy Or Maintain A Complete and Accurate Capital Asset Schedule**

Respectfully submitted,



Percy and Gray, PSC  
Certified Public Accountants

February 19, 2018

SHELBY COUNTY OFFICIALS

For The Year Ended June 30, 2017

**Fiscal Court Members:**

Rob Rothenburger (ending 12/31/16)	County Judge/Executive
Dan Ison (beginning 1/1/17)	County Judge/Executive
Tony Carriss	Magistrate
Danny Eades	Magistrate
Bill Hedges	Magistrate
Eddie Kingsolver	Magistrate
Michael Miller	Magistrate
Hubert Pollett	Magistrate
Michael Riggs	Magistrate

**Other Elected Officials:**

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

**Appointed Personnel:**

Paula Webb (ending 12/31/16)	County Treasurer
Sheila Quijas (beginning 1/1/17)	County Treasurer
Rusty Newton (ending 1/2/17)	Deputy Judge/Executive
Janet Cuthrell (beginning 1/3/17)	Deputy Judge/Executive
Rusty Newton	Occupational Tax Administrator
Sheila Quijas (ending 12/31/16)	Finance Officer
Sandra Ashcraft (beginning 3/3/17)	Finance Officer

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

**For The Year Ended June 30, 2017**

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

**For The Year Ended June 30, 2017**

	<b>Budgeted Funds</b>		
	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>
<b>RECEIPTS</b>			
Taxes	\$ 9,106,414	\$	\$
In Lieu Tax Payments	24,585		
Excess Fees	564,309		
Licenses and Permits	203,997		
Intergovernmental	491,919	1,686,918	2,852,551
Charges for Services	14,574		177,242
Miscellaneous	2,060,879	18,103	184,600
Interest	15,892	4,924	54
Total Receipts	<u>12,482,569</u>	<u>1,709,945</u>	<u>3,214,447</u>
<b>DISBURSEMENTS</b>			
General Government	3,418,051		
Protection to Persons and Property	694,819	1,090	2,674,959
General Health and Sanitation	615,185		
Social Services	376,236		
Recreation and Culture	593,535		
Roads		2,087,188	
Debt Service	63,342		
Capital Projects			
Administration	<u>2,588,575</u>	<u>371,379</u>	<u>972,250</u>
Total Disbursements	<u>8,349,743</u>	<u>2,459,657</u>	<u>3,647,209</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>4,132,826</u>	<u>(749,712)</u>	<u>(432,762)</u>
<b>Other Adjustments to Cash (Uses)</b>			
Bond Proceeds			
Transfers From Other Funds		754,000	493,000
Transfers To Other Funds	<u>(3,063,913)</u>		
Total Other Adjustments to Cash (Uses)	<u>(3,063,913)</u>	<u>754,000</u>	<u>493,000</u>
Net Change in Fund Balance	1,068,913	4,288	60,238
Fund Balance - Beginning	5,125,718	1,264,033	89,280
Fund Balance - Ending	<u>\$ 6,194,631</u>	<u>\$ 1,268,321</u>	<u>\$ 149,518</u>
<b>Composition of Fund Balance</b>			
Bank Balance	\$ 6,359,709	\$ 1,269,216	\$ 150,937
Plus: Deposits In Transit			
Less: Outstanding Checks	(165,078)	(895)	(1,419)
Certificate of Deposits			
Fund Balance - Ending	<u>\$ 6,194,631</u>	<u>\$ 1,268,321</u>	<u>\$ 149,518</u>

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

**SHELBY COUNTY**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES**  
**IN FUND BALANCES - REGULATORY BASIS**  
**For The Year Ended June 30, 2017**  
**(Continued)**

<b>Budgeted Funds</b>			
<b>Local Government Economic Assistance Fund</b>	<b>Ambulance Fund</b>	<b>Special Fund</b>	<b>KaCoLT Fund</b>
\$	\$	\$	\$
85,357	326,555		7,186
	1,748,287		
	5,205	29,777	
293	4	262	
<u>85,650</u>	<u>2,080,051</u>	<u>30,039</u>	<u>7,186</u>
		197,523	
	2,368,001		
			7,165
61,803	1,057,617		
<u>61,803</u>	<u>3,425,618</u>	<u>197,523</u>	<u>7,165</u>
<u>23,847</u>	<u>(1,345,567)</u>	<u>(167,484)</u>	<u>21</u>
	1,265,500		
	<u>1,265,500</u>		
23,847	(80,067)	(167,484)	21
554,009	159,942	430,075	46
<u>\$ 577,856</u>	<u>\$ 79,875</u>	<u>\$ 262,591</u>	<u>\$ 67</u>
\$ 577,856	\$ 81,276	\$ 304,293	\$ 67
	(1,401)	(41,702)	
<u>\$ 577,856</u>	<u>\$ 79,875</u>	<u>\$ 262,591</u>	<u>\$ 67</u>

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

**SHELBY COUNTY**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES**  
**IN FUND BALANCES - REGULATORY BASIS**  
**For The Year Ended June 30, 2017**  
**(Continued)**

	Unbudgeted Funds			Private Purpose Trust Fund	Total Funds
	General Obligation Refunding Bond Fund	Justice Center Public Properties Fund	Jail Commissary Fund	King's Daughter Fiscal Court Scholarship Fund	
<b>RECEIPTS</b>					
Taxes	\$	\$	\$	\$	\$ 9,106,414
In Lieu Tax Payments					24,585
Excess Fees					564,309
Licenses and Permits					203,997
Intergovernmental		1,515,006	8,852		6,974,344
Charges for Services					1,940,103
Miscellaneous			462,438	18	2,761,020
Interest	270	91	128	3,370	25,288
Total Receipts	<u>270</u>	<u>1,515,097</u>	<u>471,418</u>	<u>3,388</u>	<u>21,600,060</u>
<b>DISBURSEMENTS</b>					
General Government					3,615,574
Protection to Persons and Property					5,738,869
General Health and Sanitation					615,185
Social Services					376,236
Recreation and Culture			476,672	2,500	1,072,707
Roads					2,087,188
Debt Service	551,250	8,091,841			8,713,598
Capital Projects					61,803
Administration		89,213		977	5,080,011
Total Disbursements	<u>551,250</u>	<u>8,181,054</u>	<u>476,672</u>	<u>3,477</u>	<u>27,361,171</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(550,980)</u>	<u>(6,665,957)</u>	<u>(5,254)</u>	<u>(89)</u>	<u>(5,761,111)</u>
<b>Other Adjustments to Cash (Uses)</b>					
Bond Proceeds		6,639,000			6,639,000
Transfers From Other Funds	551,413				3,063,913
Transfers To Other Funds					(3,063,913)
Total Other Adjustments to Cash (Uses)	<u>551,413</u>	<u>6,639,000</u>			<u>6,639,000</u>
Net Change in Fund Balance	433	(26,957)	(5,254)	(89)	877,889
Fund Balance - Beginning	137,839	115,214	317,343	575,814	8,769,313
Fund Balance - Ending	<u>\$ 138,272</u>	<u>\$ 88,257</u>	<u>\$ 312,089</u>	<u>\$ 575,725</u>	<u>\$ 9,647,202</u>
<b>Composition of Fund Balance</b>					
Bank Balance	\$ 138,272	\$ 88,257	\$ 312,826	\$ 26,714	\$ 9,309,423
Deposits In Transit			2,451		2,451
Less Outstanding Checks			(3,188)	(1,000)	(214,683)
Certificate of Deposits				550,011	550,011
Ending Fund Balance	<u>\$ 138,272</u>	<u>\$ 88,257</u>	<u>\$ 312,089</u>	<u>\$ 575,725</u>	<u>\$ 9,647,202</u>

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

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TO THE FINANCIAL STATEMENT**

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**SHELBY COUNTY**  
**NOTES TO FINANCIAL STATEMENT**

**June 30, 2017**

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

**A. Reporting Entity**

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

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

**B. Basis of Accounting**

The financial statement is presented on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the 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 and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

**C. Basis of Presentation**

**Budgeted Funds**

The fiscal court reports the following budgeted funds:

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

**SHELBY COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2017**  
**(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 source of receipts for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the General Fund.

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

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

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

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

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

**Unbudgeted Funds**

The fiscal court reports the following unbudgeted funds:

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

Justice Center Public Properties Fund - The primary purpose of this fund is to account for the proceeds and debt service of revenue bonds that were issued to fund construction of public buildings.

Jail Commissary Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit and to enhance the well-being of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Commissary Fund.

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

**SHELBY COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2017**  
**(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 disbursement 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 these funds.

The State Local Finance Officer does not require the Justice Center Public Properties Fund or the General Obligation Bond to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually.

**E. Shelby County Elected Officials**

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

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

**SHELBY COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2017**  
**(Continued)**

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

**F. Deposits**

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

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**G. Long-term Obligations**

The fund financial statement recognizes bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as disbursements. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as disbursements. Debt proceeds are reported as other adjustments to cash.

**H. Tax Abatements**

GASB Statement No. 77 - Tax Abatement Disclosures is effective for reporting periods beginning after December 15, 2015.

The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public presently. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition.

**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(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

**SHELBY COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2017**  
**(Continued)**

**Note 2. Deposits (Continued)**

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 41.240(4). As of June 30, 2017, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

**Note 3. Transfers**

The table below shows the interfund operating transfers for fiscal year 2017.

	General Fund	Total Transfers In
Road Fund	\$ 754,000	\$ 754,000
Jail Fund	493,000	493,000
Ambulance Fund	1,265,500	1,265,500
General Obligation Bond Fund	551,413	551,413
Total Transfers Out	<u>\$ 3,063,913</u>	<u>\$ 3,063,913</u>

Reason for transfers:

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

**Note 4. Private Purpose Trust Funds**

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

The fiscal court has the following private purpose trust fund:

Kings Daughter – Fiscal Court Scholarship Fund – This fund was established November 30, 1987 by Shelby County Fiscal Court after the selling of Kings Daughter Hospital in Shelbyville, KY. Some of the funds were placed in interest bearing accounts and all interest received is to be used toward providing scholarships for students that plan on choosing a profession in the medical field. The Kings Daughter – Fiscal Court Scholarship Committee is incorporated and is governed by by-laws that were established and approved by its original seven (7) committee members in 1987. The balance of the scholarship fund at June 30, 2017 was \$575,725.

**SHELBY COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2017**  
**(Continued)**

**Note 5. Long-term Debt**

**A. General Obligation Refunding Bonds**

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

Fiscal Year Ended June 30	Principal	Scheduled Interest
2018	440,000	111,900
2019	440,000	107,500
2020	450,000	98,700
2021	460,000	89,700
2022	470,000	80,500
2023-2027	2,530,000	227,100
Totals	<u>\$ 4,790,000</u>	<u>\$ 715,400</u>

**B. Revenue Bonds**

**1) Series 2008**

On November 1, 2008, the Shelby County Public Corporation issued \$9,750,000 of First Mortgage Revenue Bonds, Series 2008, for the purpose of funding the construction of a Justice Center. The Public Properties Corporation entered into an agreement with the Administrative Office of the Courts (AOC) for the payments to be made by AOC while being tenants of the building. These bonds were issued at varying interest rates ranging from 3.50% to 4.25% and will be retired by November 1, 2019. Interest payments are due on May 1 and interest and principal payments are due on November 1. These bonds were partially refunded by First Mortgage Revenue Bonds, Series 2017. Principal payment requirements and scheduled interest for the retirement of the remaining bonds are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2018	\$ 420,000	\$ 44,368
2019	435,000	27,582
2020	455,000	9,441
Totals	<u>\$ 1,310,000</u>	<u>\$ 81,391</u>

**SHELBY COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2017**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**B. Revenue Bonds (Continued)**

**2) Series 2009**

On March 1, 2009, the Shelby County Public Corporation issued \$12,285,000 of First Mortgage Revenue Bonds, Series 2009, for the purpose of funding the construction of a Justice Center. The Public Properties Corporation entered into an agreement with the Administrative Office of the Courts (AOC) for the payments to be made by AOC while being tenants of the building. These bonds were issued at varying interest rates ranging from 2% to 4.4%, and will be retired by November 1, 2028. These bonds were partially refunded by First Mortgage Revenue Bonds, Series 2017. Interest payments are due May 1 and interest and principal payments are due November 1. Principal payment requirements and scheduled interest for the retirement of the bonds are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2018	580,000	74,790
2019	600,000	55,465
2020	620,000	34,715
2021	645,000	11,933
Totals	<u>\$ 2,445,000</u>	<u>\$ 176,903</u>

**3) Series 2016**

On June 15, 2016, the Shelby County Public Corporation issued \$6,450,000 of First Mortgage Revenue Bonds, Series 2017, for the purpose of partially refunding the First Mortgage Revenue Bonds, Series 2008. These bonds were issued at varying interest rates ranging from 2% to 3%, and will be retired by November 1, 2029. Interest payments are due May 1 and interest and principal payments are due November 1. Principal payment requirements and scheduled interest for the retirement of the bonds are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2018	\$ -	\$ 146,119
2019		146,119
2020	50,000	145,619
2021	575,000	139,369
2022	585,000	127,769
2023-2027	3,105,000	456,844
2028-2030	2,135,000	100,708
Totals	<u>\$ 6,450,000</u>	<u>\$ 1,262,547</u>

**SHELBY COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2017**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**B. Revenue Bonds (Continued)**

**4) Series 2017**

On June 7, 2017, the Shelby County Public Corporation issued \$6,390,000 of First Mortgage Revenue Bonds, Series 2017, for the purpose of partially refunding the First Mortgage Revenue Bonds, Series 2009. These bonds were issued at interest rate of 2.07% , and will be retired by November 1, 2028. Interest payments are due May 1 and interest and principal payments are due November 1. Principal payment requirements and scheduled interest for the retirement of the bonds are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2018	\$ -	\$ 123,685
2019		137,427
2020		137,427
2021		137,427
2022	648,000	130,721
2023-2027	4,189,000	406,807
2028-2029	1,802,000	37,487
Totals	<u>\$ 6,639,000</u>	<u>\$ 1,110,981</u>

**C. Financing Obligations**

**1) Mt. Eden Fire District**

On September 11, 2000, Shelby County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) Program for \$98,000. The purpose of the lease was for the construction of a firehouse. The project was subleased to the Mt. Eden Fire District. The Mt. Eden Fire District gives the county enough money to cover the annual debt service payments required. The county then pays this money to the trustee. The balance of the receivable and the liability at June 30, 2017 was \$51,000.

Fiscal Year Ended June 30	Principal	Scheduled Interest
2018	\$ 5,000	\$ 2,863
2019	5,000	2,554
2020	5,000	2,246
2021	5,000	1,938
2022	6,000	1,573
2023-2026	25,000	2,532
Totals	<u>\$ 51,000</u>	<u>\$ 13,706</u>

**SHELBY COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2017**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**2) Park Building HVAC System**

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

Fiscal Year Ended June 30	Principal	Scheduled Interest
2018	\$ 60,840	\$ 7,801
2019	62,529	5,620
2020	64,264	3,378
2021	60,473	1,074
Totals	<u>\$ 248,106</u>	<u>\$ 17,873</u>

**D. Changes In Long-term Debt**

Long-term Debt activity for the year ended June 30, 2017, was as follows:

	Restated Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	\$ 5,225,000	\$	\$ 435,000	\$ 4,790,000	\$ 440,000
Revenue Bonds	17,390,000	6,639,000	7,185,000	16,844,000	1,000,000
Financing Obligations	357,432		58,326	299,106	65,840
Total Long-term Debt	<u>\$ 22,972,432</u>	<u>\$ 6,639,000</u>	<u>\$ 7,678,326</u>	<u>\$ 21,933,106</u>	<u>\$ 1,505,840</u>

The beginning balance of the General Obligation Bonds was restated due payments being made according to an amortization schedule prepared on a monthly basis and these payments erroneously being used to determine the balance of the bond at the end of the prior year. Using the actual payments on the bond issue resulted in an understatement of \$36,666 in the reported prior year ending balance.

**Note 6. Commitments and Contingencies**

The County is involved in multiple lawsuits that arose from the normal course of doing business. While individually they may not be significant; in the aggregate, they could negatively impact the county's financial position. Due to the uncertainty of the litigation, a reasonable estimate of the financial impact on the county cannot be made at this time.

**SHELBY COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2017**  
**(Continued)**

**Note 7. Employee Retirement System**

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. 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 17.06 percent.

Hazardous covered employees are required to contribute 8 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 32.95 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 (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 a half percent (hazardous) employer pay credit. The employer pay credit represents a portion of the employer contribution.

The county's contribution for FY 2015 was \$1,778,162, for FYE 2016 was \$1,728,068, and for FY 2017 was \$1,667,700.

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:

**SHELBY COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2017**  
**(Continued)**

**Note 7. Employee Retirement System (Continued)**

<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 fifteen 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.

KRS also issues a proportionate share audit report that includes the total pension liability for CERS determined by actuarial valuation as well as each participating county's proportionate share. The Schedules of Employer Allocations and Pension Amounts by Employer report and the related actuarial tables are available online at <https://kyret.ky.gov/employers/GASB/Pages/GASB-Library.aspx>. The complete actuarial valuation report, including all actuarial assumptions and methods, is also available on the website or can be obtained as described in the paragraph above.

**Note 8. Deferred Compensation**

On February 24, 2000, the Shelby County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

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

**SHELBY COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2017**  
**(Continued)**

**Note 8. Deferred Compensation (Continued)**

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

**Note 9. Flexible Spending Account**

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

**Note 10. Insurance**

For the fiscal year ended June 30, 2017, Shelby County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**Note 11. Related Party Transactions**

The Shelby County Fiscal Court makes monthly payments to a non-profit corporation. The non-profit corporation rents a building for commercial use to provide county services that is owned by a magistrate. The total paid to the non-profit corporation for the year ended June 30, 2017, was \$23,000.

**Note 12. Conduit Debt**

From time to time the county has issued bonds to provide financial assistance to various entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest, in accordance with KRS 103.210. This debt may take the form of certain types of limited-obligation revenue bonds, certificates of participation, or similar debt instruments. Although conduit debt obligations bear the Shelby County Fiscal Court's name as issuer, the Fiscal Court has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf it is issued. Neither the Fiscal Court nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statement. The amount outstanding as of June 30, 2017 is not reasonably determinable.

**SHELBY COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2017**  
**(Continued)**

**Note 13. Tax Abatements**

The Occupational Tax was abated under the authority of the Kentucky Business Investment Program (KBI) offered by the Kentucky Cabinet for Economic Development. Macro Plastics, Inc. is eligible to receive this tax abatement due to expanding their operations in Shelby County and creating new jobs. The taxes are abated by a refund of Occupational Payroll Tax withholdings. Macro Plastics, Inc. made the following commitments to hire a minimum of fifteen new full-time Kentucky resident employee at the approved site, with an annual minimum wage target of \$20.89. For fiscal year ended June 30, 2017, Shelby County Fiscal Court abated occupational payroll taxes totaling \$46,086.

Shelby County Fiscal Court has similar KBI agreements with five companies currently active, and three waiting to activate. These companies have not yet received any tax abatements.

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

**For The Year Ended June 30, 2017**

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

**For The Year Ended June 30, 2017**

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 7,051,000	\$ 7,620,004	\$ 9,106,414	\$ 1,486,410
In Lieu Tax Payments			24,585	24,585
Excess Fees	284,920	564,345	564,309	(36)
Licenses and Permits	127,450	127,450	203,997	76,547
Intergovernmental	570,648	570,648	491,919	(78,729)
Charges for Services	19,500	19,500	14,574	(4,926)
Miscellaneous	2,731,289	2,759,396	2,060,879	(698,517)
Interest	6,000	6,000	15,892	9,892
Total Receipts	<u>10,790,807</u>	<u>11,667,343</u>	<u>12,482,569</u>	<u>815,226</u>
<b>DISBURSEMENTS</b>				
General Government	3,701,620	3,889,813	3,418,051	471,762
Protection to Persons and Property	782,391	793,079	694,819	98,260
General Health and Sanitation	659,923	693,856	615,185	78,671
Social Services	398,000	433,072	376,236	56,836
Recreation and Culture	686,000	688,800	593,535	95,265
Debt Service	551,359	551,414	63,342	488,072
Administration	3,941,129	4,534,384	2,588,575	1,945,809
Total Disbursements	<u>10,720,422</u>	<u>11,584,418</u>	<u>8,349,743</u>	<u>3,234,675</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>70,385</u>	<u>82,925</u>	<u>4,132,826</u>	<u>4,049,901</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds	<u>(4,123,911)</u>	<u>(4,123,911)</u>	<u>(3,063,913)</u>	<u>1,059,998</u>
Total Other Adjustments to Cash (Uses)	<u>(4,123,911)</u>	<u>(4,123,911)</u>	<u>(3,063,913)</u>	<u>1,059,998</u>
Net Change in Fund Balance	(4,053,526)	(4,040,986)	1,068,913	5,109,899
Fund Balance Beginning	<u>4,053,526</u>	<u>4,053,526</u>	<u>5,125,718</u>	<u>1,072,192</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 12,540</u>	<u>\$ 6,194,631</u>	<u>\$ 6,182,091</u>

**SHELBY COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2017**  
**(Continued)**

	<b>ROAD FUND</b>			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Intergovernmental	\$ 1,509,049	\$ 1,554,649	\$ 1,686,918	\$ 132,269
Miscellaneous	26,000	26,000	18,103	(7,897)
Interest	2,500	2,500	4,924	2,424
Total Receipts	<u>1,537,549</u>	<u>1,583,149</u>	<u>1,709,945</u>	<u>126,796</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	1,500	1,500	1,090	410
Roads	2,225,924	2,317,261	2,087,188	230,073
Administration	547,226	497,226	371,379	125,847
Total Disbursements	<u>2,774,650</u>	<u>2,815,987</u>	<u>2,459,657</u>	<u>356,330</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,237,101)</u>	<u>(1,232,838)</u>	<u>(749,712)</u>	<u>483,126</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	<u>1,237,101</u>	<u>1,237,101</u>	<u>754,000</u>	<u>(483,101)</u>
Total Other Adjustments to Cash (Uses)	<u>1,237,101</u>	<u>1,237,101</u>	<u>754,000</u>	<u>(483,101)</u>
Net Change in Fund Balance		4,263	4,288	25
Fund Balance Beginning			<u>1,264,033</u>	<u>1,264,033</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 4,263</u>	<u>\$ 1,268,321</u>	<u>\$ 1,264,058</u>

**SHELBY COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2017**  
**(Continued)**

	<b>JAIL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 2,435,893	\$ 2,435,893	\$ 2,852,551	\$ 416,658
Charges for Services	192,000	192,000	177,242	(14,758)
Miscellaneous	140,000	140,000	184,600	44,600
Interest	100	100	54	(46)
Total Receipts	<u>2,767,993</u>	<u>2,767,993</u>	<u>3,214,447</u>	<u>446,454</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property Administration	3,090,130	3,090,130	2,674,959	415,171
Total Disbursements	<u>1,177,153</u>	<u>1,177,153</u>	<u>972,250</u>	<u>204,903</u>
Total Disbursements	<u>4,267,283</u>	<u>4,267,283</u>	<u>3,647,209</u>	<u>620,074</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,499,290)</u>	<u>(1,499,290)</u>	<u>(432,762)</u>	<u>1,066,528</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	<u>1,499,290</u>	<u>1,499,290</u>	<u>493,000</u>	<u>(1,006,290)</u>
Total Other Adjustments to Cash (Uses)	<u>1,499,290</u>	<u>1,499,290</u>	<u>493,000</u>	<u>(1,006,290)</u>
Net Change in Fund Balance			60,238	60,238
Fund Balance Beginning (Restated)			<u>89,280</u>	<u>89,280</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 149,518</u>	<u>\$ 149,518</u>

**SHELBY COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2017**  
**(Continued)**

**LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 45,000	\$ 45,000	\$ 85,357	\$ 40,357
Interest			293	293
Total Receipts	<u>45,000</u>	<u>45,000</u>	<u>85,650</u>	<u>40,650</u>
<b>DISBURSEMENTS</b>				
Roads	45,000	61,803	61,803	
Total Disbursements	<u>45,000</u>	<u>61,803</u>	<u>61,803</u>	
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		<u>(16,803)</u>	<u>23,847</u>	<u>40,650</u>
Net Change in Fund Balance		(16,803)	23,847	40,650
Fund Balance Beginning			<u>554,009</u>	<u>554,009</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (16,803)</u>	<u>\$ 577,856</u>	<u>\$ 594,659</u>

**SHELBY COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2017**  
**(Continued)**

**AMBULANCE FUND**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 10,000	\$ 326,555	\$ 326,555	\$
Charges for Services	2,009,000	2,009,000	1,748,287	(260,713)
Miscellaneous	12,000	12,000	5,205	(6,795)
Interest	250	250	4	(246)
Total Receipts	<u>2,031,250</u>	<u>2,347,805</u>	<u>2,080,051</u>	<u>(267,754)</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property Administration	2,250,656	2,570,438	2,368,001	202,437
Total Disbursements	<u>1,168,114</u>	<u>1,164,887</u>	<u>1,057,617</u>	<u>107,270</u>
Total Disbursements	<u>3,418,770</u>	<u>3,735,325</u>	<u>3,425,618</u>	<u>309,707</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,387,520)</u>	<u>(1,387,520)</u>	<u>(1,345,567)</u>	<u>41,953</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	<u>1,387,520</u>	<u>1,387,520</u>	<u>1,265,500</u>	<u>(122,020)</u>
Total Other Adjustments to Cash (Uses)	<u>1,387,520</u>	<u>1,387,520</u>	<u>1,265,500</u>	<u>(122,020)</u>
Net Change in Fund Balance			(80,067)	(80,067)
Fund Balance Beginning (Restated)			<u>159,942</u>	<u>159,942</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 79,875</u>	<u>\$ 79,875</u>

**SHELBY COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2017**  
**(Continued)**

	<b>SPECIAL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	130,000	130,000	\$ -	\$ (130,000)
Miscellaneous		29,777	29,777	
Interest			262	262
Total Receipts	<u>130,000</u>	<u>159,777</u>	<u>30,039</u>	<u>(129,738)</u>
<b>DISBURSEMENTS</b>				
General Government	130,000	201,479	197,523	3,956
Total Disbursements	<u>130,000</u>	<u>201,479</u>	<u>197,523</u>	<u>3,956</u>
Net Change in Fund Balance		(41,702)	(167,484)	(125,782)
Fund Balance - Beginning		<u>41,702</u>	<u>430,075</u>	<u>388,373</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 262,591</u>	<u>\$ 262,591</u>

**SHELBY COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2017**  
**(Continued)**

**KACOLT LEASING TRUST FUND**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 7,863	\$ 7,863	\$ 7,186	(677)
Total Receipts	7,863	7,863	7,186	(677)
<b>DISBURSEMENTS</b>				
Debt Service	7,863	7,863	7,165	698
Total Disbursements	7,863	7,863	7,165	698
Net Change in Fund Balance			21	21
Fund Balance Beginning			46	46
Fund Balance - Ending	\$ 0	\$ 0	\$ 67	\$ 67

**SHELBY COUNTY**  
**NOTES TO REGULATORY SUPPLEMENTARY INFORMATION –**  
**BUDGETARY COMPARISON SCHEDULES**

**June 30, 2017**

**Note 1. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting 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.

**SHELBY COUNTY**  
**SCHEDULE OF CAPITAL ASSETS**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2017**

**SHELBY COUNTY**  
**SCHEDULE OF CAPITAL ASSETS**  
**Supplementary Information - Regulatory Basis**

**For The Year Ended June 30, 2017**

The fiscal court reports the following schedule of capital assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 2,955,005	\$	\$	\$ 2,955,005
Buildings	40,346,361	84,935		40,431,296
Equipment	3,302,072	997,510		4,299,582
Vehicles	4,314,942	927,038	447,294	4,794,686
Infrastructure	16,046,903	1,856,612		17,903,515
<b>Total Capital Assets</b>	<b>\$ 66,965,283</b>	<b>\$ 3,866,095</b>	<b>\$ 447,294</b>	<b>\$ 70,384,084</b>

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

**June 30, 2017**

**Note 1. Capital Assets**

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

	Capitalization Threshold	Useful Life (Years)
Land	\$ 1	N/A
Land Improvements	25,000	10-60
Buildings	50,000	10-75
Building Improvements	50,000	10-40
Machinery & Equipment	5,000	3-25
Vehicles	5,000	5
Infrastructure	30,000	10-50
Intangibles	5,000	2-40

**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***



## PEEROY AND GRAY, PSC

**Certified Public Accountants**

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Louisville, Kentucky 40299

Phone: (502) 493-1090

FAX: (502) 493-7231

The Honorable Dan Ison, Shelby County Judge/Executive  
Members of the Shelby County Fiscal Court

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

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Shelby County Fiscal Court for the fiscal year ended June 30, 2017, and the related notes to the financial statement which collectively comprise the Shelby County Fiscal Court's financial statement and have issued our report thereon dated February 19, 2018.

### **Internal Control Over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified a certain deficiency in internal control that we consider to be a material weakness.

*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 deficiency described in the accompanying Schedule of Findings and Responses as item 2017-001 to be a material weakness.

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

### **Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the Shelby County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as item 2017-001.

### **Views of Responsible Official and Planned Corrective Action**

The Shelby County Judge/Executive's views and planned corrective action for the finding identified in our audit is included in the accompanying Schedule of Findings and Responses. The 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,



Peercy and Gray, PSC  
Certified Public Accountants

February 19, 2018

**SHELBY COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES**

**For The Year Ended June 30, 2017**

**SHELBY COUNTY**  
**SCHEDULE OF FINDINGS AND RESPONSES**

**Fiscal Year Ended June 30, 2017**

**INTERNAL CONTROL - MATERIAL WEAKNESSES:**

**Finding 2017-001: The Fiscal Court Did Not Follow The Approved Capital Asset Policy Or Maintain A Complete and Accurate Capital Asset Schedule**

This is a repeat comment 2016-001. The Shelby County Fiscal Court has not put procedures in place to ensure asset additions or asset retirements and asset disposals are accurately documented during the fiscal year.

This is a repeat comment from the prior year as this has been an ongoing issue with the county not taking action to ensure compliance with the Department for Local Government's policy documented in the County Budget Preparation and State Local Finance Officer Policy Manual. The Department of Local Government (DLG) requires counties to maintain records for fixed assets including infrastructure, buildings, land, vehicles, equipment and other items purchased or received exceeding capitalization threshold determined by the fiscal court.

Because an accurate list was not maintained, we noted the following items not recorded on the capital asset listing:

- Equipment was understated \$1,024,702
- Vehicles were overstated \$516,678
- A copier purchased in the Commissary for \$7,490 was not recorded on the listing.

Not maintaining an accurate list of assets could result in new assets not being insured. Further, the capital asset schedule included in the financial statements could be materially misstated.

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

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

**Views of Responsible Official and Planned Corrective Action:**

*Judge's Response:* Capital Assets responsibilities have been transferred from the HR manager to the County Finance Officer and will be managed and tracked through Fiscal Books software.

*Jailer's Response:* The previous administration staff at the Shelby County Detention Center was unaware of the process following the purchase of a copier from the Commissary account. In the future, we will try to notify Shelby County Fiscal Court, in a timely manner, of any items purchased or received exceeding a \$5,000 value, so they can be added to their fixed assets records.

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

**SHELBY COUNTY FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2017**

CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

SHELBY COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2017

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



Danny Ison  
County Judge/Executive



Sheila Quijas  
County Treasurer