

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

**For The Fiscal Year Ended
June 30, 2016**



**MIKE HARMON
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EXECUTIVE SUMMARY

AUDIT OF THE CRITTENDEN COUNTY FISCAL COURT

June 30, 2016

The Auditor of Public Accounts has completed the audit of the Crittenden County Fiscal Court for the fiscal year ended June 30, 2016.

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

Financial Condition:

The Crittenden County Fiscal Court had total receipts of \$6,586,573 and disbursements of \$7,221,958 in fiscal year 2016. This resulted in a total ending fund balance of \$2,233,374, which is a decrease of \$85,780 from the prior year.

Report Comments:

- 2016-001 Weak Internal Controls Over Debt And Debt Service Resulted In The Misstatement Of Outstanding Debt Balances
- 2016-002 Weak Internal Controls Over Capital Assets Resulted In The Misstatement Of Capital Assets On The County's Schedule Of Capital Assets
- 2016-003 The Crittenden County Fiscal Court Does Not Have Adequate Internal Controls Over Disbursements
- 2016-004 The Crittenden County Fiscal Court Lacks Adequate Internal Controls Over Payroll
- 2016-005 The Crittenden County Fiscal Court Did Not Properly Budget Or Account For The Riverview Park Board
- 2016-006 The Crittenden County Jailer Did Not Properly Procure Vehicles

Deposits:

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

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

The Honorable Matthew G. Bevin, Governor

William M. Landrum III, Secretary

Finance and Administration Cabinet

The Honorable Perry Newcom, Crittenden County Judge/Executive

Members of the Crittenden County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Crittenden County Fiscal Court, for the year ended June 30, 2016, and the related notes to the financial statement which collectively comprise the Crittenden 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 in Note 1 of the financial statement, the financial statement is prepared by the Crittenden 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 Crittenden County Fiscal Court as of June 30, 2016, or changes in financial position or cash flows thereof for the year then ended.

Basis For Qualified Opinion On Regulatory Basis of Accounting

Crittenden County's Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis, includes the bank activity of the Riverview Park Board. The Riverview Park Board did not maintain adequate supporting records to determine accurate receipts, disbursements, and reconciled fund balance. Since the accounting records for the Riverview Park Board were not adequate, the financial information presented could not be determined to be reasonably accurate.

Opinion on Regulatory Basis of Accounting

In our opinion, except for the possible effects of the matters discussed in the Basis for Qualified Opinion On Regulatory Basis of Accounting paragraph, the financial statement referred to above presents fairly, in all material respects, the fund balances of the Crittenden County Fiscal Court as of June 30, 2016, 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 Crittenden 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.

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 Members of the Crittenden County Fiscal Court

Other Matters (Continued)

Supplementary Information (Continued)

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2018, on our consideration of the Crittenden 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 Crittenden County Fiscal Court's internal control over financial reporting and compliance.

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

- 2016-001 Weak Internal Controls Over Debt And Debt Service Resulted In The Misstatement Of Outstanding Debt Balances
- 2016-002 Weak Internal Controls Over Capital Assets Resulted In The Misstatement Of Capital Assets On The County's Schedule Of Capital Assets
- 2016-003 The Crittenden County Fiscal Court Does Not Have Adequate Internal Controls Over Disbursements
- 2016-004 The Crittenden County Fiscal Court Lacks Adequate Internal Controls Over Payroll
- 2016-005 The Crittenden County Fiscal Court Did Not Properly Budget Or Account For The Riverview Park Board
- 2016-006 The Crittenden County Jailer Did Not Properly Procure Vehicles

Respectfully submitted,



Mike Harmon
 Auditor of Public Accounts

October 5, 2018

CRITTENDEN COUNTY OFFICIALS

For The Year Ended June 30, 2016

Fiscal Court Members:

| | |
|-----------------|------------------------|
| Perry Newcom | County Judge/Executive |
| Glenn Underdown | Magistrate |
| Danny Fowler | Magistrate |
| Mark Holloman | Magistrate |
| Dan Wood | Magistrate |
| Donnetta Travis | Magistrate |
| Curt Buntin | Magistrate |

Other Elected Officials:

| | |
|-----------------|----------------------------------|
| Rebecca Johnson | County Attorney |
| Robert Kirk | Jailer |
| Carolyn Byford | County Clerk |
| Melissa Guill | Circuit Court Clerk |
| Wayne Agent | Sheriff |
| Ronnie Heady | Property Valuation Administrator |
| Bradley Gilbert | Coroner |

Appointed Personnel:

| | |
|----------------|--|
| Sue Padget | County Treasurer |
| Daphenia Downs | Finance Officer / Occupational Tax (July 1, 2015 through January 19, 2016) |
| Lisa Benson | Finance Officer / Occupational Tax (February 8, 2016 through June 30, 2016) |

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

For The Year Ended June 30, 2016

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

For The Year Ended June 30, 2016

| | Budgeted Funds | | | |
|--|-------------------------|----------------------|----------------------|--|
| | General Fund | Road Fund | Jail Fund | Local Government Economic Assistance Fund |
| RECEIPTS | | | | |
| Taxes | \$ 1,004,053 | \$ | \$ | \$ 50,467 |
| Excess Fees | 55,074 | | | |
| Licenses and Permits | 13,587 | | 5,400 | 16,141 |
| Intergovernmental | 97,134 | 2,525,318 | 1,566,370 | 319,474 |
| Charges for Services | | | 122,682 | 17,798 |
| Miscellaneous | 8,777 | 147,645 | 32,175 | 770 |
| Interest | 205 | 13,881 | 25 | 45 |
| Total Receipts | <u>1,178,830</u> | <u>2,686,844</u> | <u>1,726,652</u> | <u>404,695</u> |
| DISBURSEMENTS | | | | |
| General Government | 393,395 | 35 | | 60,240 |
| Protection to Persons and Property | 164,680 | | 1,497,567 | 23,260 |
| General Health and Sanitation | | | 52,810 | 43,136 |
| Social Services | | | | 14,384 |
| Recreation and Culture | | | | 7,973 |
| Transportation Facility and Services | | 17,049 | | |
| Roads | | 1,911,552 | | |
| Other Transportation Facilities and Services | | 846,550 | | |
| Debt Service | | 165,975 | 307,935 | |
| Capital Projects | | 1,869 | | 3,500 |
| Administration | 286,505 | 318,567 | 232,405 | 18,549 |
| Total Disbursements | <u>844,580</u> | <u>3,261,597</u> | <u>2,090,717</u> | <u>171,042</u> |
| Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses) | <u>334,250</u> | <u>(574,753)</u> | <u>(364,065)</u> | <u>233,653</u> |
| Other Adjustments to Cash (Uses) | | | | |
| Change In Payroll Revolving Account | (22,024) | | | |
| Borrowed Money | 50,000 | 276,520 | 250,000 | |
| Transfers From Other Funds | 230,334 | | 620,500 | |
| Transfers To Other Funds | (620,500) | (163,454) | (297,758) | |
| Lease Discount | | | (4,891) | |
| Total Other Adjustments to Cash (Uses) | <u>(362,190)</u> | <u>113,066</u> | <u>567,851</u> | |
| Net Change in Fund Balance | (27,940) | (461,687) | 203,786 | 233,653 |
| Fund Balance - Beginning (Restated) | 115,108 | 1,953,663 | 12,576 | 23,443 |
| Fund Balance - Ending | <u>\$ 87,168</u> | <u>\$ 1,491,976</u> | <u>\$ 216,362</u> | <u>\$ 257,096</u> |
| Composition of Fund Balance | | | | |
| Bank Balance | \$ 129,947 | \$ 993,699 | \$ 238,600 | \$ 258,083 |
| Payroll Revolving Bank Balance | (22,035) | | | |
| Less: Outstanding Checks | (20,744) | (12,744) | (22,238) | (987) |
| Investments | | 511,021 | | |
| Fund Balance - Ending | <u>\$ 87,168</u> | <u>\$ 1,491,976</u> | <u>\$ 216,362</u> | <u>\$ 257,096</u> |

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

CRITTENDEN COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2016
(Continued)

| Budgeted Funds | | Unbudgeted Funds | | | | | Total Funds |
|------------------|---------------------|--|----------------------|-----------------------|---------------------------|---------------------|-------------|
| E-911 Fund | E-911 Wireless Fund | Community Development Block Grant Fund | Jail Commissary Fund | Detention Center Fund | Riverview Park Board Fund | | |
| \$ 23,714 | \$ | \$ | \$ | \$ | \$ | \$ 1,078,234 | |
| | | | | | | 55,074 | |
| | | | | | | 35,128 | |
| | | | | | | 4,508,296 | |
| | | | | | 10,980 | 151,460 | |
| | | | 228,524 | | | 417,891 | |
| 75 | 141 | | 55 | 326,063 | | 340,490 | |
| <u>23,789</u> | <u>141</u> | | <u>228,579</u> | <u>326,063</u> | <u>10,980</u> | <u>6,586,573</u> | |
| | | | | | | 453,670 | |
| 22,086 | | | | | | 1,707,593 | |
| | | | | | | 95,946 | |
| | | | | | | 14,384 | |
| | | | 256,424 | | 18,337 | 282,734 | |
| | | | | | | 17,049 | |
| | | | | | | 1,911,552 | |
| | | | | | | 846,550 | |
| | | | | 555,995 | | 1,029,905 | |
| | | | | | | 5,369 | |
| | | | | 1,180 | | 857,206 | |
| <u>22,086</u> | | | <u>256,424</u> | <u>557,175</u> | <u>18,337</u> | <u>7,221,958</u> | |
| | | | | | | | |
| 1,703 | 141 | | (27,845) | (231,112) | (7,357) | (635,385) | |
| | | | | | | (22,024) | |
| | | | | | | 576,520 | |
| | | | | 230,878 | | 1,081,712 | |
| | | | | | | (1,081,712) | |
| | | | | | | (4,891) | |
| | | | | 230,878 | | 549,605 | |
| | | | | | | | |
| 1,703 | 141 | | (27,845) | (234) | (7,357) | (85,780) | |
| 86,888 | 67,521 | 1 | 27,959 | 1,455 | 30,540 | 2,319,154 | |
| <u>\$ 88,591</u> | <u>\$ 67,662</u> | <u>\$ 1</u> | <u>\$ 114</u> | <u>\$ 1,221</u> | <u>\$ 23,183</u> | <u>\$ 2,233,374</u> | |
| | | | | | | | |
| \$ 88,591 | \$ 67,662 | \$ 1 | \$ 481 | \$ 1,221 | \$ 23,183 | \$ 1,801,468 | |
| | | | | | | (22,035) | |
| | | | (367) | | | (57,080) | |
| | | | | | | 511,021 | |
| <u>\$ 88,591</u> | <u>\$ 67,662</u> | <u>\$ 1</u> | <u>\$ 114</u> | <u>\$ 1,221</u> | <u>\$ 23,183</u> | <u>\$ 2,233,374</u> | |

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

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TO THE FINANCIAL STATEMENT**

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CRITTENDEN COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2016

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statement of Crittenden County includes all budgeted and unbudgeted funds under the control of the Crittenden 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.

Crittenden County Hospital, Inc. 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 Crittenden County Hospital, Inc. can be obtained from the Crittenden County Fiscal Court, 107 South Main Street, Marion, Kentucky 42064.

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.

CRITTENDEN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2016
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Road Fund - This fund is for road and bridge construction and repair. The primary sources of receipts for this fund are state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the general fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of receipts for this fund are reimbursements from the state and federal 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.

E-911 Fund - the primary purpose of this fund is to account for 911 tax receipts and emergency services disbursements.

E-911 Wireless Fund - The primary purpose of this fund is to account for wireless 911 tax receipts and emergency services disbursements.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

Community Development Block Grant Fund - The purpose of this fund is to account for grant funds received and disbursed. The county did not budget this fund in fiscal year ended June 30, 2016, due to a lack of activity.

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.

Detention Center Fund - The purpose of this fund is to account for debt service requirements of the general obligation refunding lease. The Department for Local Government does not require the fiscal court to budget these funds.

Riverview Park Board Fund - The purpose of this fund is to account for receipts and disbursements of the Riverview/Dam 5 Park. The primary source of income is lot rental and expenses are for utilities. Currently the income and expenses are not handled by the county.

CRITTENDEN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2016
(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 jail commissary fund to be budgeted because the fiscal court does not approve the expenses of this fund.

E. Crittenden County Elected Officials

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

CRITTENDEN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2016
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

G. Long-term Obligations

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

Note 2. Deposits and Investments

A. Deposits

The fiscal court maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 66.480(1)(d) and KRS 41.240. As of June 30, 2016, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

B. Investments

As of June 30, 2016, the fiscal court had the following investments and maturities:

| Type | Cost Basis | Maturities (In Years) | | | |
|------------------------|---------------|-----------------------|------|------|-----------------|
| | | Less Than 1 | 1-5 | 6-10 | More Than 10 |
| Fixed Deferred Annuity | \$ 511,021 | \$ | \$ | \$ | \$ 511,021 |
| Total Fund Balance | \$ 511,021 | \$ 0 | \$ 0 | \$ 0 | \$ 511,021 |

Custodial Credit Risk is the risk that, in the event of failure of the counterparty, the fiscal court will not be able to recover the value of its certificates of deposit, investments or collateral securities that are in the possession of an outside party. The fiscal court's investment policy requires counterparties to provide sufficient collateral or other insurance if any investments or deposits exceed the insurance provided by Federal Deposit Insurance Corporation (FDIC) and the Securities Investor Protection Corporation (SIPC). All certificates of deposit and investments must be held by the counterparty in the fiscal court's name. The fiscal court has \$511,021 of investments in securities held by the counterparties' trust departments in the fiscal court's name.

CRITTENDEN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2016
(Continued)

Note 2. Deposits and Investments (Continued)

B. Investments (Continued)

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The fiscal court is statutorily limited as to credit ratings, at the time of purchase. KRS 66.480 and the fiscal court's investment policy define the following items as permissible investments:

- 1) Obligations of the United States and of its agencies and instrumentalities.
- 2) Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States government agency.
- 3) Obligations of any corporation of the United States Government.
- 4) 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 or similar entity or which are collateralized, to the extent uninsured, by any obligations, including surety bonds, permitted by KRS 41.240(4).
- 5) Uncollateralized certificates of deposit issued by any bank or savings and loan institution rated in one of the three highest categories by nationally recognized rating agency.
- 6) Bankers' acceptances for banks rated in one of the three highest categories by a nationally recognized rating agency.
- 7) Commercial paper rated in the highest category by a nationally recognized rating agency.
- 8) Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities.
- 9) Securities issued by a state or local government, or any instrumentality of agency thereof, in the United States, and rated in one of the three highest categories by a nationally recognized rating agency.
- 10) Shares of mutual funds, each of which shall have the following characteristics:
 - a) The mutual funds shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended.
 - b) The management company of the investment company shall have been in operation for at least five years.
 - c) All of the securities in the mutual fund shall be eligible investments pursuant to this section.

The fiscal court is limited to investing no more than 20 percent in categories 5, 6, 7, 9, and 10 above per state statute and the fiscal court's investment policy. As of June 30, 2016, the fiscal court does not have any investments in these categories.

The fiscal court's rated investments, as of June 30, 2016, and the ratings are presented in the table below. All issuers of the municipal bonds are located in the Commonwealth of Kentucky.

Credit Risk Table

| Type | A.M. Best Rating Services | | | | | Cost Basis |
|------------------------|---------------------------|------------|------|------|------------|------------|
| | AAA/Aaa | AA/Aa | A | WR | Unrated/NA | |
| Fixed Deferred Annuity | \$ | \$ 511,021 | \$ | \$ | \$ | \$ 511,021 |
| Total Fund Balance | \$ 0 | \$ 511,021 | \$ 0 | \$ 0 | \$ 0 | \$ 511,021 |

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the fiscal court's investment in a single issuer. U.S. Government securities and investments in mutual funds are excluded from this risk. The fiscal court does not have 5 percent or more of the fiscal court's investments invested in any single security.

CRITTENDEN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2016
(Continued)

Note 2. Deposits and Investments (Continued)

B. Investments (Continued)

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The fiscal court's policy provides that, to the extent practicable, investments are matched with anticipated cash flows. Investments are diversified to minimize the risk of loss resulting from over-concentration of assets in a specific maturity period, a single issuer, or an individual class of securities. See table at the beginning of this section for investments listed by type and duration.

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2016.

| | General Fund | Road Fund | Jail Fund | Total Transfers In |
|-----------------------|-------------------|-------------------|-------------------|-----------------------|
| General Fund | \$ | \$ 163,454 | \$ 66,880 | \$ 230,334 |
| Jail Fund | 620,500 | | | 620,500 |
| Detention Center Fund | | | 230,878 | 230,878 |
| Total Transfers Out | <u>\$ 620,500</u> | <u>\$ 163,454</u> | <u>\$ 297,758</u> | <u>\$ 1,081,712</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. 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:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2016, was \$24,145.

Note 5. Receivable

On October 2, 2012, Crittenden County entered into an agreement with the Kentucky Association of Counties Leasing Trust for the purpose of purchasing a vehicle for the Crittenden County rescue squad. The principal amount was \$30,281 at an effective interest rate of 2.75 percent for five years. The rescue squad makes the monthly debt payments. As of June 30, 2016, all debt payments have been made, and the remaining balance is \$8,505.

CRITTENDEN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2016
(Continued)

Note 6. Short-term Debt

A. Kentucky Association of County Leasing Trust (KACoLT) - Volunteer Fire Department Vehicle

The Crittenden County Fiscal Court entered into an agreement on December 22, 2014, with Kentucky Association of Counties Leasing Trust (KACoLT) for the purpose of purchasing a vehicle. The Crittenden County Volunteer Fire Department made the required payment. Both principal and interest were due on the maturity date of December 22, 2015. As of June 30, 2016, the balance was \$0.

B. Changes In Short-term Debt

Short-term Debt activity for the year ended June 30, 2016, was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|-----------------------|----------------------|-----------|------------|-------------------|------------------------|
| Financing Obligation | \$ 9,600 | \$ | \$ 9,600 | \$ | \$ |
| Total Short-term Debt | \$ 9,600 | \$ 0 | \$ 9,600 | \$ 0 | \$ 0 |

Note 7. Long-term Debt

A. General Obligation Bonds, Series 2007

In December 2007, the Crittenden County Fiscal Court issued \$7,125,000 of General Obligation Improvement Bonds; Series 2007 at various interest rates with the first principal payment due in November 2008. These bonds were issued for the purpose of (1) completing construction, installation, and equipping of a detention facility, (2) retiring the Bond Anticipation Notes, Series 2006 between the fiscal court and U.S. Bank, and (3) paying the costs of issuing the bonds. A portion of these bonds were defeased May 22, 2013.

The county entered into a lease agreement with Kentucky Association of Counties and US Bank in the amount of \$6,675,000. The proceeds of the lease were used to refund \$5,185,000 of the Series 2007 Bonds. The refunding of the Series 2007 Bonds will be accomplished pursuant to the Escrow Agreement by and between the Crittenden County Fiscal Court and U.S. Bank, National Association, the paying agent for the Series 2007 Bonds (the "Escrow Agent") by depositing with the Escrow Agent moneys and the interest earnings expected to be earned thereon, which shall be sufficient to pay the principal and interest amounts and certain premiums of the outstanding Series 2007 Bonds. The unrefunded portion of the 2007 bonds totaled \$1,385,000.

The principal balance as of June 30, 2016, was \$990,000. Annual debt service requirement to maturity are as follows:

CRITTENDEN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2016
(Continued)

Note 7. Long-term Debt (Continued)

A. General Obligation Bonds, Series 2007 (Continued)

| Fiscal Year Ending June 30 | Principal | Scheduled Interest |
|-------------------------------|-------------------|-----------------------|
| 2017 | \$ 145,000 | \$ 51,713 |
| 2018 | 150,000 | 45,075 |
| 2019 | 160,000 | 36,900 |
| 2020 | 165,000 | 27,150 |
| 2021 | 180,000 | 16,800 |
| 2022 | 190,000 | 5,700 |
| Totals | <u>\$ 990,000</u> | <u>\$ 183,338</u> |

B. Financing Obligation - 2013 Lease

On May 22, 2013, Crittenden County entered into a lease agreement with Kentucky Association of Counties and U.S. Bank in the amount of \$6,675,000. The purpose of the lease was to refund a portion of the General Obligation Improvement Bonds, Series 2007.

The principal balance as of June 30, 2016, was \$6,322,500. Annual debt service requirement to maturity are as follows:

| Fiscal Year Ending June 30 | Principal | Scheduled Interest |
|-------------------------------|---------------------|-----------------------|
| 2017 | \$ 90,000 | \$ 208,297 |
| 2018 | 90,000 | 206,384 |
| 2019 | 92,083 | 204,472 |
| 2020 | 95,000 | 202,515 |
| 2021 | 95,000 | 200,496 |
| 2022-2026 | 1,398,750 | 928,438 |
| 2027-2031 | 1,722,917 | 692,412 |
| 2032-2036 | 2,027,083 | 366,360 |
| 2037-2038 | 711,667 | 37,353 |
| Totals | <u>\$ 6,322,500</u> | <u>\$ 3,046,727</u> |

CRITTENDEN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2016
(Continued)

Note 7. Long-term Debt (Continued)

C. Financing Obligation - Kentucky Area Development District

In February 2008, Crittenden County entered into a financial agreement with the Kentucky Area Development District for \$500,000, at various interest rates with the first principal payment due in November 2010. The purpose of this agreement was to supplement the construction costs of the Crittenden County Detention Center.

The principal balance as of June 30, 2016, was \$440,000. Annual debt service requirements to maturity are as follows:

| Fiscal Year Ending June 30 | Principal | Scheduled Interest |
|-------------------------------|-------------------|-----------------------|
| 2017 | \$ 10,000 | \$ 22,273 |
| 2018 | 10,000 | 21,792 |
| 2019 | 15,000 | 21,192 |
| 2020 | 15,000 | 20,473 |
| 2021 | 15,000 | 19,753 |
| 2022-2026 | 80,000 | 87,659 |
| 2027-2031 | 105,000 | 64,712 |
| 2032-2036 | 130,000 | 34,885 |
| 2037-2038 | 60,000 | 3,810 |
| Totals | <u>\$ 440,000</u> | <u>\$ 296,549</u> |

D. Financing Obligation - Vehicle - Rescue Squad

The Crittenden County Fiscal Court entered into a note agreement with Kentucky Association of Counties in the amount of \$30,281 on October 2, 2012. The note agreement was for the purchase of a vehicle. The Rescue Squad makes the required payments. If the Rescue Squad is unable to make the required payments, then the fiscal court would be responsible for the debt. The note matures October 2017.

The principal balance as of June 30, 2016, was \$8,505. Annual debt service requirement to maturity are as follow:

| Fiscal Year Ending June 30 | Principal | Scheduled Interest |
|-------------------------------|-----------------|-----------------------|
| 2017 | \$ 6,349 | \$ 199 |
| 2018 | 2,156 | |
| Totals | <u>\$ 8,505</u> | <u>\$ 199</u> |

CRITTENDEN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2016
(Continued)

Note 7. Long-term Debt (Continued)

E. Financing Obligation - Restricted Custody Center

On February 25, 2016, the Crittenden County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust in the amount of \$250,000 for the purpose of remodeling the existing the Crittenden County Detention Center building to house additional prisoners. The interest rate is variable with payments due on the 20th until the termination date of February 1, 2023.

The principal balance as of June 30, 2016, was \$242,000. Annual debt service requirements to maturity are as follows:

| Fiscal Year Ending June 30 | Principal | Scheduled Interest |
|-------------------------------|-------------------|-----------------------|
| 2017 | \$ 24,500 | \$ 6,012 |
| 2018 | 30,000 | 5,144 |
| 2019 | 37,500 | 4,469 |
| 2020 | 40,000 | 3,625 |
| 2021 | 40,000 | 2,725 |
| 2022-2023 | 70,000 | 2,513 |
| Totals | <u>\$ 242,000</u> | <u>\$ 24,488</u> |

F. Financing Obligation - Emulsion Storage Tank

On August 13, 2015, the Crittenden County Fiscal Court entered into a financing agreement with the Kentucky Association of Counties Leasing Trust in the amount of \$46,900 for the purpose of purchasing an emulsion storage tank. The interest rate is variable with payments due on the 20th of each month and principal payments due monthly on the 20th until the termination date of August 20, 2019.

The principal balance as of June 30, 2016, was \$37,635. Annual debt service requirements to maturity are as follows:

| Fiscal Year Ending June 30 | Principal | Scheduled Interest |
|-------------------------------|------------------|-----------------------|
| 2017 | \$ 11,508 | \$ 1,214 |
| 2018 | 11,852 | 777 |
| 2019 | 12,206 | 327 |
| 2020 | 2,069 | 10 |
| Totals | <u>\$ 37,635</u> | <u>\$ 2,328</u> |

CRITTENDEN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2016
(Continued)

Note 7. Long-term Debt (Continued)

G. Financing Obligation - Mack Truck

On April 13, 2016, the Crittenden County Fiscal Court entered into a financing agreement with the Kentucky Association of Counties Leasing Trust in the amount of \$136,402 for the purpose of purchasing a Mack Truck. The interest rate is variable with payments due on the 20th of each month with a balloon principal payment due on October 20, 2017.

The principal balance as of June 30, 2016, was \$136,402. Annual debt service requirements to maturity are as follows:

| Fiscal Year Ending June 30 | Principal | Scheduled Interest |
|-------------------------------|-------------------|-----------------------|
| 2017 | \$ | \$ 4,433 |
| 2018 | 136,402 | 1,478 |
| Totals | <u>\$ 136,402</u> | <u>\$ 5,911</u> |

H. Financing Obligation - Truck

On June 22, 2016, the Crittenden County Fiscal Court entered into a financing agreement with the Kentucky Association of Counties Leasing Trust in the amount of \$50,000 for the purpose of purchasing a truck. The interest rate is 3.25 percent with payments due on the 20th of each month with principal payments due monthly on the 20th until the termination date of June 20, 2020.

The principal balance as of June 30, 2016, was \$50,000. Annual debt service requirements to maturity are as follows:

| Fiscal Year Ending June 30 | Principal | Scheduled Interest |
|-------------------------------|------------------|-----------------------|
| 2017 | \$ 11,913 | \$ 1,616 |
| 2018 | 12,292 | 1,238 |
| 2019 | 12,691 | 838 |
| 2020 | 13,104 | 426 |
| Totals | <u>\$ 50,000</u> | <u>\$ 4,118</u> |

I. Financing Obligation - 420F Caterpillar Backhoe Loader

On August 3, 2015, the Crittenden County Fiscal Court entered into a lease agreement with Caterpillar Financial Services Corporation for the purpose of purchasing a 420F Caterpillar Backhoe Loader. The interest rate is variable with payments due monthly until the termination date of October 2018.

CRITTENDEN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2016
(Continued)

Note 7. Long-term Debt (Continued)

I. Financing Obligation - 420F Caterpillar Backhoe Loader (Continued)

The principal balance as of June 30, 2016, was \$79,384. Annual debt service requirements to maturity are as follows:

| Fiscal Year Ending June 30 | Principal | Scheduled Interest |
|-------------------------------|------------------|-----------------------|
| 2017 | \$ 15,434 | \$ 1,769 |
| 2018 | 15,823 | 1,380 |
| 2019 | 48,127 | 107 |
| Totals | <u>\$ 79,384</u> | <u>\$ 3,256</u> |

J. Financing Obligation - Mack Truck Lease

On March 31, 2015, the Crittenden County Fiscal Court entered into a lease agreement with Kentucky Association of Counties Leasing Trust for the purpose of purchasing a Mack Truck. The terms of the lease consist of one principal payment and two interest payments. The principal balance at June 30, 2016, was \$0.

K. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2016, was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--------------------------|----------------------|-------------------|-------------------|---------------------|------------------------|
| General Obligation Bonds | \$ 1,130,000 | \$ | \$ 140,000 | \$ 990,000 | \$ 145,000 |
| Financing Obligations | 7,009,168 | 576,520 | 269,262 | 7,316,426 | 169,704 |
| Total Long-term Debt | <u>\$ 8,139,168</u> | <u>\$ 576,520</u> | <u>\$ 409,262</u> | <u>\$ 8,306,426</u> | <u>\$ 314,704</u> |

Note 8. 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 Crittenden 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.

CRITTENDEN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2016
(Continued)

Note 9. 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 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.

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) 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) employer pay credit. The employer pay credit represents a portion of the employer contribution.

The county's contribution for FY 2014 was \$271,261, FY 2015 was \$281,761, and FY 2016 was \$273,372.

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.

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% |

CRITTENDEN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2016
(Continued)

Note 9. Employee Retirement System (Continued)

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.

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/>. 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 10. Deferred Compensation

In the fiscal year ended June 30, 2011, the Crittenden 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 the 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 11. Health Reimbursement Account/Flexible Spending Account

The Crittenden County Fiscal Court established a flexible spending account on July 1, 2014, to provide employees an additional health benefit. The county has contracted with a third-party administrator to administer the plan. The plan provides a debit card to each eligible employee providing \$500 each year to pay for qualified medical expenses. The balance of the plan was \$17,153 as of June 30, 2016.

Note 12. Insurance

For the fiscal year ended June 30, 2016, Crittenden 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.

CRITTENDEN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2016
(Continued)

Note 13. Payroll Revolving Account

The balance of the payroll revolving account as of June 30, 2016, was subtracted from the general fund balance for financial reporting purposes. The reconciled balance of the payroll revolving account was (\$22,034).

Note 14. Related Party Transactions

The Crittenden County Fiscal Court conducted business with a trailer sales company that was owned and operated by one of the county magistrates. During the fiscal year, the county paid \$2,673 to this company.

Note 15. Prior Period Adjustments

The beginning fund balance was restated for the following adjustments:

| | |
|---|---------------------|
| Prior Year Ending Fund Balance: | \$ 2,318,701 |
| Adjustments | |
| Prior Year Voided Checks - General Fund | 140 |
| Prior Year Voided Checks - Jail Fund | 260 |
| Prior Year Outstanding Checks Reported in Error - Jail Commissary Fund | 7,010 |
| Prior Year Deposits in Transit Reported in Error - Jail Commissary Fund | (6,957) |
| Beginning Fund Balance (Restated) | <u>\$ 2,319,154</u> |

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CRITTENDEN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2016

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CRITTENDEN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2016

| | GENERAL FUND | | | |
|---|---------------------|------------------|--|---|
| | Budgeted Amounts | | Actual Amounts, (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
| | Original | Final | | |
| RECEIPTS | | | | |
| Taxes | \$ 869,500 | \$ 869,500 | \$ 1,004,053 | \$ 134,553 |
| Excess Fees | 58,000 | 58,000 | 55,074 | (2,926) |
| Licenses and Permits | 13,800 | 13,800 | 13,587 | (213) |
| Intergovernmental | 67,100 | 76,400 | 97,134 | 20,734 |
| Miscellaneous | 11,300 | 2,805 | 8,777 | 5,972 |
| Interest | 200 | 200 | 205 | 5 |
| Total Receipts | <u>1,019,900</u> | <u>1,020,705</u> | <u>1,178,830</u> | <u>158,125</u> |
| DISBURSEMENTS | | | | |
| General Government | 373,955 | 423,145 | 393,395 | 29,750 |
| Protection to Persons and Property | 160,000 | 168,000 | 164,680 | 3,320 |
| General Health and Sanitation | 100 | 100 | | 100 |
| Roads | 100 | 100 | | 100 |
| Administration | 426,347 | 320,894 | 286,505 | 34,389 |
| Total Disbursements | <u>960,502</u> | <u>912,239</u> | <u>844,580</u> | <u>67,659</u> |
| Excess (Deficiency) of Receipts Over | | | | |
| Disbursements Before Other | | | | |
| Adjustments to Cash (Uses) | <u>59,398</u> | <u>108,466</u> | <u>334,250</u> | <u>225,784</u> |
| Other Adjustments to Cash (Uses) | | | | |
| Transfers From Other Funds | | | 230,334 | 230,334 |
| Transfers To Other Funds | (319,145) | (319,145) | (620,500) | (301,355) |
| Borrowed Money | | | 50,000 | 50,000 |
| Total Other Adjustments to Cash (Uses) | <u>(319,145)</u> | <u>(319,145)</u> | <u>(340,166)</u> | <u>(21,021)</u> |
| Net Change in Fund Balance | (259,747) | (210,679) | (5,916) | 204,763 |
| Fund Balance - Beginning (Restated) | <u>259,747</u> | <u>259,747</u> | <u>115,119</u> | <u>(144,628)</u> |
| Fund Balance - Ending | <u>\$ 0</u> | <u>\$ 49,068</u> | <u>\$ 109,203</u> | <u>\$ 60,135</u> |

CRITTENDEN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2016
(Continued)

| | ROAD FUND | | | |
|--|--------------------|--------------------|--|---|
| | Budgeted Amounts | | Actual Amounts, (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
| | Original | Final | | |
| RECEIPTS | | | | |
| Intergovernmental | \$ 2,260,554 | \$ 2,268,100 | \$ 2,525,318 | \$ 257,218 |
| Miscellaneous | 143,000 | 189,900 | 147,645 | (42,255) |
| Interest | 18,000 | 18,000 | 13,881 | (4,119) |
| Total Receipts | <u>2,421,554</u> | <u>2,476,000</u> | <u>2,686,844</u> | <u>210,844</u> |
| DISBURSEMENTS | | | | |
| General Government | | 35 | 35 | |
| Transportation Facilities and Services | 14,000 | 17,896 | 17,049 | 847 |
| Roads | 1,135,980 | 1,875,449 | 1,911,552 | (36,103) |
| Other Transportation Facilities and Services | 804,000 | 846,550 | 846,550 | |
| Debt Service | | 170,000 | 165,975 | 4,025 |
| Capital Projects | 1,000 | 2,208 | 1,869 | 339 |
| Administration | <u>2,665,674</u> | <u>1,762,962</u> | <u>318,567</u> | <u>1,444,395</u> |
| Total Disbursements | <u>4,620,654</u> | <u>4,675,100</u> | <u>3,261,597</u> | <u>1,413,503</u> |
| Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses) | <u>(2,199,100)</u> | <u>(2,199,100)</u> | <u>(574,753)</u> | <u>1,624,347</u> |
| Other Adjustments to Cash (Uses) | | | | |
| Transfers To Other Funds | | | (163,454) | (163,454) |
| Borrowed Money | | | <u>276,520</u> | <u>276,520</u> |
| Total Other Adjustments to Cash (Uses) | | | <u>113,066</u> | <u>113,066</u> |
| Net Change in Fund Balance | (2,199,100) | (2,199,100) | (461,687) | 1,737,413 |
| Fund Balance - Beginning | <u>2,199,100</u> | <u>2,199,100</u> | <u>1,953,663</u> | <u>(245,437)</u> |
| Fund Balance - Ending | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 1,491,976</u> | <u>\$ 1,491,976</u> |

CRITTENDEN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2016
(Continued)

| | JAIL FUND | | | |
|--|------------------|--------------------|--|---|
| | Budgeted Amounts | | Actual Amounts, (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
| | Original | Final | | |
| RECEIPTS | | | | |
| License and Permits | \$ 32,400 | \$ 32,400 | \$ 5,400 | \$ (27,000) |
| Intergovernmental | 1,800,000 | 1,735,000 | 1,566,370 | (168,630) |
| Charges for Services | 56,000 | 121,630 | 122,682 | 1,052 |
| Miscellaneous | 61,000 | 61,709 | 32,175 | (29,534) |
| Interest | 100 | 100 | 25 | (75) |
| Total Receipts | <u>1,949,500</u> | <u>1,950,839</u> | <u>1,726,652</u> | <u>(224,187)</u> |
| DISBURSEMENTS | | | | |
| Protection to Persons and Property | 1,414,900 | 1,517,496 | 1,497,567 | 19,929 |
| General Health and Sanitation | 50,000 | 58,201 | 52,810 | 5,391 |
| Debt Service | 526,040 | 303,826 | 307,935 | (4,109) |
| Administration | 307,705 | 238,651 | 232,405 | 6,246 |
| Total Disbursements | <u>2,298,645</u> | <u>2,118,174</u> | <u>2,090,717</u> | <u>27,457</u> |
| Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses) | <u>(349,145)</u> | <u>(167,335)</u> | <u>(364,065)</u> | <u>(196,730)</u> |
| Other Adjustments to Cash (Uses) | | | | |
| Transfers From Other Funds | 319,145 | 319,145 | 620,500 | 301,355 |
| Transfers To Other Funds | | (230,878) | (297,758) | (66,880) |
| Borrowed Money | | | 250,000 | 250,000 |
| Lease Discount | | | (4,891) | (4,891) |
| Total Other Adjustments to Cash (Uses) | <u>319,145</u> | <u>88,267</u> | <u>567,851</u> | <u>479,584</u> |
| Net Change in Fund Balance | (30,000) | (79,068) | 203,786 | 282,854 |
| Fund Balance - Beginning (Restated) | <u>30,000</u> | <u>30,000</u> | <u>12,576</u> | <u>(17,424)</u> |
| Fund Balance - Ending | <u>\$ 0</u> | <u>\$ (49,068)</u> | <u>\$ 216,362</u> | <u>\$ 265,430</u> |

CRITTENDEN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2016
(Continued)

| LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND | | | | |
|--|------------------|-----------------|--|---|
| | Budgeted Amounts | | Actual Amounts, (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
| | Original | Final | | |
| RECEIPTS | | | | |
| Taxes | \$ 118,500 | \$ 118,500 | \$ 50,467 | \$ (68,033) |
| License and Permits | | | 16,141 | 16,141 |
| Intergovernmental | 523,100 | 508,100 | 319,474 | (188,626) |
| Charges for Services | 1,000 | 16,000 | 17,798 | 1,798 |
| Miscellaneous | 2,000 | 2,000 | 770 | (1,230) |
| Interest | | | 45 | 45 |
| Total Receipts | <u>644,600</u> | <u>644,600</u> | <u>404,695</u> | <u>(239,905)</u> |
| DISBURSEMENTS | | | | |
| General Government | 69,925 | 70,000 | 60,240 | 9,760 |
| Protection to Persons and Property | 36,900 | 38,720 | 23,260 | 15,460 |
| General Health and Sanitation | 36,650 | 46,492 | 43,136 | 3,356 |
| Social Services | 13,700 | 16,645 | 14,384 | 2,261 |
| Recreation and Culture | 462,000 | 462,000 | 7,973 | 454,027 |
| Capital Projects | 3,500 | 3,500 | 3,500 | |
| Administration | 34,900 | 20,218 | 18,549 | 1,669 |
| Total Disbursements | <u>657,575</u> | <u>657,575</u> | <u>171,042</u> | <u>486,533</u> |
| Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses) | <u>(12,975)</u> | <u>(12,975)</u> | <u>233,653</u> | <u>246,628</u> |
| Net Change in Fund Balance | (12,975) | (12,975) | 233,653 | 246,628 |
| Fund Balance - Beginning | <u>12,975</u> | <u>12,975</u> | <u>23,443</u> | <u>10,468</u> |
| Fund Balance - Ending | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 257,096</u> | <u>\$ 257,096</u> |

CRITTENDEN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2016
(Continued)

| E-911 FUND | | | | |
|--|------------------|-----------------|--|---|
| | Budgeted Amounts | | Actual Amounts, (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
| | Original | Final | | |
| RECEIPTS | | | | |
| Taxes | \$ 25,500 | \$ 25,500 | \$ 23,714 | \$ (1,786) |
| Interest | 100 | 100 | 75 | (25) |
| Total Receipts | <u>25,600</u> | <u>25,600</u> | <u>23,789</u> | <u>(1,811)</u> |
| DISBURSEMENTS | | | | |
| Protection to Persons and Property | 22,700 | 30,700 | 22,086 | 8,614 |
| Administration | 87,000 | 79,000 | | 79,000 |
| Total Disbursements | <u>109,700</u> | <u>109,700</u> | <u>22,086</u> | <u>87,614</u> |
| Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses) | <u>(84,100)</u> | <u>(84,100)</u> | <u>1,703</u> | <u>85,803</u> |
| Net Change in Fund Balance | (84,100) | (84,100) | 1,703 | 85,803 |
| Fund Balance - Beginning | <u>84,100</u> | <u>84,100</u> | <u>86,888</u> | <u>2,788</u> |
| Fund Balance - Ending | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 88,591</u> | <u>\$ 88,591</u> |

CRITTENDEN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2016
(Continued)

E-911 WIRELESS FUND

| | Budgeted Amounts | | Actual Amounts, (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|--|------------------|-----------------|--|---|
| | Original | Final | | |
| RECEIPTS | | | | |
| Interest | \$ 150 | \$ 150 | \$ 141 | \$ (9) |
| Total Receipts | <u>150</u> | <u>150</u> | <u>141</u> | <u>(9)</u> |
| DISBURSEMENTS | | | | |
| Protection to Persons and Property | 100 | 100 | | 100 |
| Administration | <u>67,500</u> | <u>67,500</u> | | <u>67,500</u> |
| Total Disbursements | <u>67,600</u> | <u>67,600</u> | | <u>67,600</u> |
| Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses) | <u>(67,450)</u> | <u>(67,450)</u> | <u>141</u> | <u>67,591</u> |
| Net Change in Fund Balance | (67,450) | (67,450) | 141 | 67,591 |
| Fund Balance - Beginning | <u>67,450</u> | <u>67,450</u> | <u>67,521</u> | <u>71</u> |
| Fund Balance - Ending | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 67,662</u> | <u>\$ 67,662</u> |

CRITTENDEN COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2016

Note 1. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the 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.

Note 2. Reconciliation of the General Fund

The *Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis* differs from the *Budgetary Comparison Schedule* for the general fund in Other Adjustments to Cash (Uses) due to the payroll revolving account balance, as noted below.

| | |
|---|---------------------|
| Other Adjustments to Cash (Uses) - Budgetary Basis | \$ (340,166) |
| To adjust for Change in Payroll Revolving Account | <u>(22,024)</u> |
| Total Other Adjustments to Cash (Uses) - Regulatory Basis | <u>\$ (362,190)</u> |
| Fund Balance Ending - Budgetary Basis | \$ 109,203 |
| To adjust for Payroll Revolving Account Balance | <u>(22,035)</u> |
| Total Fund Balance - Ending - Regulatory Basis | <u>\$ 87,168</u> |

Note 3. Excess of Disbursements Over Appropriations

Road fund disbursements for roads exceeded budgeted appropriations by \$36,103. Jail fund disbursements for debt service exceeded budgeted appropriations by \$4,109.

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

For The Year Ended June 30, 2016

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CRITTENDEN COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2016

The fiscal court reports the following Schedule of Capital Assets:

| | Beginning Balance | Additions | Deletions | Ending Balance |
|-----------------------------|----------------------|-------------------|------------------|----------------------|
| Land and Land Improvements | \$ 223,690 | \$ | \$ | \$ 223,690 |
| Construction In Progress | | 36,539 | | 36,539 |
| Buildings | 13,591,763 | | | 13,591,763 |
| Vehicles and Equipment | 2,303,339 | 505,069 | 25,319 | 2,783,089 |
| Other Equipment | 596,860 | | | 596,860 |
| Infrastructure | 34,443,023 | 78,900 | | 34,521,923 |
| Total Capital Assets | \$ 51,158,675 | \$ 620,508 | \$ 25,319 | \$ 51,753,864 |

Assets held for resale activity for the year ended June 30, 2016, was as follows:

| | Restated Beginning Balance | Additions | Deletions | Ending Balance |
|-------------------------------------|----------------------------------|-------------------|-------------------|-------------------|
| Asset Held for Resale | | | | |
| Mack Trucks | \$ 134,902 | \$ 135,212 | \$ 134,902 | \$ 135,212 |
| Total Assets Held for Resale | \$ 134,902 | \$ 135,212 | \$ 134,902 | \$ 135,212 |

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

June 30, 2016

Note 1. Capital Assets

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

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

Note 2. Asset Held for Resale

The Crittenden County Fiscal Court purchased a large dump truck during the fiscal year, which is used by the road department for a short time period, and then sold. This asset held for resale is recorded at cost. The beginning balance of the assets held for resale is restated because the prior year did not disclose assets held for resale.

**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***

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Perry Newcom, Crittenden County Judge/Executive
Members of the Crittenden 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 Crittenden County Fiscal Court for the fiscal year ended June 30, 2016, and the related notes to the financial statement which collectively comprise the Crittenden County Fiscal Court's financial statement and have issued our report thereon dated October 5, 2018. Our report qualified the opinion on the Financial Statement of the Crittenden County Fiscal Court because of the issue discussed in the Basis for Qualified Opinion paragraph in the Independent's Auditor's Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Crittenden 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 Crittenden County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Crittenden 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 certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2016-001, 2016-002, 2016-003, 2016-004, and 2016-005 to be material weaknesses.



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

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Crittenden 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 items 2016-003, 2016-004, 2016-005, and 2016-006.

Views of Responsible Officials and Planned Corrective Action

Crittenden County's responses to the findings identified in our audit are included in the accompanying Schedule of Findings and Responses. The county's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

Purpose of this Report

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

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

October 5, 2018

**CRITTENDEN COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2016

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CRITTENDEN COUNTY
SCHEDULE OF FINDINGS AND RESPONSES

Fiscal Year Ended June 30, 2016

FINANCIAL STATEMENT FINDINGS:

2016-001 Weak Internal Controls Over Debt And Debt Service Resulted In The Misstatement Of Outstanding Debt Balances

This is a repeat finding and was included in the prior year audit report as finding 2015-001. Internal control weaknesses existed over the reporting of liabilities and the debt of Crittenden County, including a lack of segregation of duties. Additionally, there was no review of the long-term liabilities. As a result, the June 30, 2016 outstanding debt balances reported on the fourth quarter financial report were misstated when compared to the actual debt balances confirmed with lenders. According to the fourth quarter financial report, total long-term liabilities were \$8,217,360 as of June 30, 2016. This figure excludes four debt agreements totaling \$274,291 and overstates the reported liabilities by \$185,225. While the net amount of misstatement associated with debt on the fourth quarter financial report is only \$89,066, the combined misstatement is \$459,516.

Strong internal controls over outstanding debt and liabilities are necessary to ensure accurate financial reporting. The county failed to implement a strong internal control system over liabilities and debt service, and instead relied on a single person without adequate oversight. This lack of controls resulted in the county's fourth quarter financial report liabilities being materially misstated.

We recommend the county strengthen internal controls over the reporting of debt service payments and outstanding liability balances. Internal controls, such as comparisons of payment amounts and outstanding balances to amortization and payment schedules should be implemented. We also recommend the county consult with its lenders to verify outstanding debt balances are in agreement with the county's schedule of leases and liabilities. Such practices will strengthen internal controls over liabilities and debt service and ensure that proper amounts are reported.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: All debt reports will be reviewed and approved by the supervisor rather than the office clerk moving forward. These reports had been noted as areas of weakness in the FY 15 audit as well and addressed with the office clerk at that time with a form report made available for use and tracking throughout the year. However, that form was not utilized as directed. We did address this issue internally and feel that the corrective actions taken will eliminate this issue from future findings.

2016-002 Weak Internal Controls Over Capital Assets Resulted In The Misstatement Of Capital Assets On The County's Schedule Of Capital Assets

This is a repeat finding and was included in the prior year audit report as finding 2015-002. Crittenden County did not properly maintain the schedule of capital assets for the fiscal year ending June 30, 2016. The county failed to recognize all asset purchases from the jail commissary account, resulting in the misstatement of the ending balance on the county's schedule of capital assets. The county's vehicles were misstated by \$23,866.

Strong internal controls over capital assets are necessary to ensure accurate financial reporting and to protect assets from misappropriation. The fiscal court failed to emphasize strong internal controls over the reporting of capital assets by not devoting sufficient time to ensuring that the capital asset policy is followed and that assets are capitalized at the correct amounts. As a result, all capital asset purchases from the jail commissary were not captured on the county's schedule of capital assets.

CRITTENDEN COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
Fiscal Year Ended June 30, 2016
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-002 Weak Internal Controls Over Capital Assets Resulted In The Misstatement Of Capital Assets On
 The County's Schedule Of Capital Assets (Continued)

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

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: The corrective action taken will eliminate the issue related to the misstatement of capital assets in the future. An interactive form has been established for the use of the office clerk and the responsibility has been placed under the direct control of another office clerk with more direct monitoring capabilities of all capital assets.

2016-003 The Crittenden County Fiscal Court Does Not Have Adequate Internal Controls Over
 Disbursements

The Crittenden County Fiscal Court does not have adequate internal controls over disbursements. Auditors noted the following deficiencies:

- Five credit card transactions had missing invoices.
- Five credit card transactions were charged to the wrong account code.
- Five disbursements had no supporting documentation, including two from the general fund, one from the road fund, one from the jail fund, and one from the E-911 fund.
- Twenty-two disbursements were not presented to the fiscal court for review before payment, totaling \$1,237,425.
- The purchase of a vehicle for the Crittenden County Detention Center was charged to the road fund.
- One disbursement was not paid within 30 working days of the receipt of the invoice.
- A patcher truck was purchased from the road fund without proper documentation of approval.
- A cargo van was purchased for more than the accepted bid price.
- Finance charges were incurred on credit card statements.

These deficiencies over disbursements occurred because of the fiscal court's lack of internal controls and oversight. By failing to maintain adequate supporting documentation, the fiscal court is increasing their risk of paying invoices for goods or services that are unallowable or that were not provided to the county. This also resulted in the county not being in compliance with state statutes.

Good internal controls dictate that adequate supporting documentation be maintained for all disbursements and credit card transactions. All vendor invoices and receipts should be maintained, including any additional supporting documentation, and agreed to the corresponding purchase order and reports. They also should require transactions to be presented to the fiscal court prior to being paid, and once reviewed, they should be paid in a timely manner. KRS 68.275 requires claims within budget line items and authorized by the fiscal

**CRITTENDEN COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
Fiscal Year Ended June 30, 2016
(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-003 The Crittenden County Fiscal Court Does Not Have Adequate Internal Controls Over Disbursements (Continued)

court to be paid by the county/judge/executive and co-signed by the county treasurer. In addition, KRS 65.140(2) states “[u]nless the purchaser and vendor otherwise contract, all bills for goods or services shall be paid within thirty (30) working days of receipt of a vendor’s invoice[.]”

We recommend the fiscal court develop internal control procedures to ensure that all disbursements are properly supported and that bills be paid within 30 working days to be in compliance with KRS 65.140(2). We also recommend the jail fund reimburse the road fund \$26,403 for the cost of the cargo van purchased from the wrong fund.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive’s Response: While the finding regarding missing invoices on credit card transactions are agreed upon we disagree with the lack of presentation to the fiscal court for approval of payment and respond as follows. (1-3) Two of the credit card invoices that were shown as missing are automatic renewals of computer security and program fees which apparently did not get printed out at the time of renewal. The other invoices were for services that had emailed invoices sent that did not get printed out at the time of receipt. These issues were addressed by placing this responsibility for monitoring under another office clerk’s duties and responsibilities. (4) The 22 disbursements that are claimed to have not been presented to the court are presented to the court monthly as a part of the income and disbursements report that is approved at each month’s fiscal court meeting. \$804,000 of this amount is pass through funds from the KYTC to the Cave-In-Rock Ferry which is a line item budgeted amount that Crittenden County has responsibility for disbursement. These have since been placed on recurring expenses and approved by the fiscal court. (5) The purchase amount for the Jail vehicle paid out of the road fund has been reimbursed to the road fund when that was noted. (6) Due to the fact our fiscal court meets once per month periodically we will receive an invoice that may exceed 30 days before payment due to the meeting dates. This is a common occurrence that all vendors with whom we do business understand and have agreements with the fiscal court. (7) The patcher truck purchase was from a neighboring county and all magistrates recall the discussion of the purchase and agreed on the purchase but none of us can recall whether official action was taken in court or not and will ensure that does occur at every moment as required. (8) The cargo van in question was purchased at the bid price with an additional fee of \$934 paid once we were notified there was no rear air conditioning duct work. That fee is the difference in the amount paid for the vehicle. Documentation is attached. (9) Through a misunderstanding of new personnel, a finance charge was placed on an account due to an oversight with new personnel. That was addressed immediately upon notice and has not occurred since.

Auditor’s Reply: The income and disbursements report the county judge/executive refers to in his response is approved by the fiscal court the month subsequent to corresponding financial activity. Approval of transactions after they are processed is not an effective method of internal controls. Furthermore, KRS 68.275(2) states, “[t]he county judge/executive shall present all claims to the fiscal court for review prior to payment and the court, for good cause shown, may order that a claim not be paid.” Therefore, not only were internal controls over these disbursements weak, the county was not in compliance with state statute.

The cargo van was purchased for more than the accepted bid price. The county judge/executive stated the difference paid was for air conditioning duct work to be added to the rear of the vehicle. This claim is not supported by the additional documentation provided. According to this documentation, the cargo van had a bid price of \$25,469 and an invoice price of \$25,904. This \$435 difference does not agree with the \$934 that the county judge/executive suggests was paid for rear air conditioning.

CRITTENDEN COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
Fiscal Year Ended June 30, 2016
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-004 The Crittenden County Fiscal Court Lacks Adequate Internal Controls Over Payroll

The Crittenden County Fiscal Court lacks adequate internal controls, including a lack of segregation of duties, over the payroll process. The following findings were noted with Crittenden County's payroll during testing:

- One employee did not have his or her pay rate approved by fiscal court.
- Salaries for three employees could not be recomputed to ensure they were being paid the correct amount.
- One employee received both compensatory time and overtime pay during the same pay period, despite signing a compensatory time agreement with the county.
- Payroll tax payments did not always agree to the payroll records.
- Monthly retirement contributions were incorrect for two of the three months tested.
- The fiscal court contribution for the employees' health reimbursement account did not agree to what was approved by the fiscal court.
- The health reimbursement account was not properly reconciled.
- Health insurance claims were not presented to the fiscal court.

The county failed to implement a strong internal control system over payroll, and instead relied on a single person without adequate oversight. As a result, the following occurred:

- Employees may not have been compensated the correct amount.
- One employee received overtime pay after signing an agreement to receive compensatory time.
- The wrong amounts were paid for payroll taxes, retirement withholdings and contributions, and HRA contributions.

Strong internal controls over payroll are vital in ensuring that payroll amounts are calculated and accounted for properly. Strong internal controls are also important in safeguarding the county's assets and those given the responsibility of accounting for them, as well as helping make certain the county is in compliance with state statute and county policies such as compensatory time agreements.

We recommend the fiscal court strengthen its internal control system over payroll and reduce the risk of payroll errors by segregating duties over payroll or implementing compensating controls over payroll processing such as management oversight or independent review over payroll processing.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: (1) This employee was hired during the year under the court approved pay rate schedule. Date of hire was 10-22-2015 after the rehiring of county employees was noted in the court record. Since this employee was hired per approved pay scale there is no issue. (2) The one employee questioned is the new hire explained above. The Treasurer's salary would not compute because the test month requested was September and she had received an incentive raise in February which was not accounted for during the test. The Magistrates pay is an annual salary divided by 26 pay periods. This rate is set by court order and should be the same with no computation problems. I cannot say why auditors could not get this to compute. (3) Per administrative code an employee may receive either overtime for hours worked over 40 or comp time. Our pay periods cover two weeks and one could easily receive overtime in one week and comp time for another. No issues here. (4-5) This issue has been identified as a software issue and it has been resolved prior to this audit. (6) Apparently when setting up the HSA an amount over the annual maximum was transferred for account establishment. This has been corrected and has not happened since the inception of

CRITTENDEN COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
Fiscal Year Ended June 30, 2016
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-004 The Crittenden County Fiscal Court Lacks Adequate Internal Controls Over Payroll (Continued)

Views of Responsible Official and Planned Corrective Action: (Continued)

the account. To ensure this does not happen again the total number of participants are made available at the beginning of each fiscal year and the corresponding funding total will be transferred at that one time per year. (7) After the start of the HSA program it was noticed that we were not receiving monthly statements on that account. We immediately requested monthly statements be made available and have reconciled this account monthly since. (8) This was put on recurring expenses and approved by the fiscal court.

Auditor's Reply: Audit testing was based on documentation in the fiscal court minutes along with other documentation provided by county personnel. This documentation included employees' salaries for the 2016 fiscal year. Employees' wages were recalculated based on the salary schedule provided. In some cases, the recalculated wages were not in agreement with actual payroll records. For new hires, no documentation was found in the fiscal court minutes or in personnel files to verify employees were compensated properly. The practice of allowing employees to be compensated with both paid overtime and compensatory time conflicts with the signed agreement between the county and the employee.

2016-005 The Crittenden County Fiscal Court Did Not Properly Budget or Account For The Riverview Park Board

The Crittenden County Fiscal Court failed to budget or account for the activities of the Riverview Park Board (board), a camping site owned by the county. As a result, proper records were not maintained to support the financial activity of the board. For fiscal year 2016, the board had bank receipts of \$10,981, bank disbursements of \$18,337, and an ending bank balance of \$23,183. According to personnel, receipt forms for the year had been destroyed due to a lack of storage, and adequate supporting documentation was not maintained for all disbursements.

According to the county judge/executive, the county was originally unsure of its responsibilities towards the board due to the nature of its operations. Although the county is in the process, it has not yet implemented systematic internal controls over the board's receipts and disbursements. The lack of internal controls over the operations of the board exposes its assets to the risk of misappropriation. Additionally, failure to maintain minimum accounting records means the county was not in compliance with KRS 68.210.

According to the minimum requirements for handling public funds established by KRS 68.210, accounting systems should include books of original entry for receipts and disbursements such as receipts and disbursements ledgers. They should also include pre-numbered receipt forms issued to customers. Additionally, good internal controls also dictate adequate supervision and review of all accounting activities.

We recommend the fiscal court require the park board submit all revenue and remit all bills to the fiscal court in order for the board activity to be properly budgeted and included in the fiscal court's financial information. We also recommend the county implement internal controls over the board's operations in order to protect its assets from misappropriation.

**CRITTENDEN COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
Fiscal Year Ended June 30, 2016
(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-005 The Crittenden County Fiscal Court Did Not Properly Budget Or Account For The Riverview Park Board (Continued)

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: I have informed the Riverview Park committee that they will provide an annual budget and quarterly statements of account for the Fiscal Court to review and approve at each respective court meeting. I also informed the treasurer for the Riverview Park committee that all statements and financial information must meet statute requirements of retainment for 3 years post audit and that all records be made available upon request by the fiscal court or the auditors. With respect to the receipts issue we will begin utilizing a numbered carbonless copy receipt book to have as backup to all funds received by camp site rental fees.

2016-006 The Crittenden County Jailer Did Not Properly Procure Vehicles

The Crittenden County Jailer purchased four vehicles during the year. The total amount expended for these vehicles was \$101,549, with each vehicle exceeding \$20,000. Each vehicle was purchased with no advertisement for bids.

According to KRS 424.260, "[e]xcept where a statute specifically fixes a larger sum as the minimum for a requirement of advertisement for bids, no city, county, or district, or board or commission of a city or county, or sheriff or county clerk, may make a contract, lease, or other agreement for materials, supplies except perishable meat, fish, and vegetables, equipment, or for contractual services other than professional, involving an expenditure of more than twenty thousand dollars (\$20,000) without first making newspaper advertisement for bids." Additionally, Section 8.2 (C) of the county's administrative code states "[a]ny expenditure or contract for materials, supplies (except perishable meat, fish, and vegetables), equipment, or for contractual services other than professional, involving an expenditure of more than twenty thousand (\$20,000) shall be subject to competitive bidding." According to the jailer, he was informed that vehicles could be purchased through the state price contract, or a price match of the state price contract. Therefore, he did not advertise for bids for the applicable vehicles, resulting in noncompliance with KRS 424.260 and the county's administrative code.

We recommend the jailer comply with the requirements of KRS 424.260 and the county's administrative code by making the proper advertisements for all applicable expenditures or contracts exceeding \$20,000.

Views of Responsible Official and Planned Corrective Action:

County Jailer's Response: After becoming Jailer in November of 2014, I found that the jail's vehicle fleet was mainly comprised of surplus deputy sheriff vehicles that were in poor mechanical condition. I first changed our commissary company as well as the way we sold commissary and was able to make the commissary account more profitable.

During the fiscal year of 2015/2016 I was able to purchase four new vehicles from commissary for our work crews. After comparing the prices of many different makes and models, I discovered that [Auto dealer A] in Lexington, Kentucky had the contract bid on both Dodge Ram Trucks and Dodge Chargers. Before purchasing the vehicles, I was told by another jailer that [Auto Dealer B] in Paducah would sell vehicles for the state contract price. I knew that I would be saving money purchasing the vehicles at a dealership closer to the jail because we must drive to the dealership and pick up the vehicles and it takes two deputies out of the

**CRITTENDEN COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
Fiscal Year Ended June 30, 2016
(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-006 The Crittenden County Jailer Did Not Properly Procure Vehicles (Continued)

Views of Responsible Official and Planned Corrective Action: (Continued)

jail to get this done. In Paducah I would be able to get the vehicles in approximately three hours and in Lexington it would be over eight hours. The choice seemed simple.

I now know [Auto Dealer A] holds the singular state bid contract for both vehicles and that even if I saved the jail money I am unable to do this again. I was proud to be able to purchase these four vehicles without using tax payer dollars but instead only using inmate account money from commissary.

Auditor's Reply: The county was required to either use the vendor holding the state price contract or a competitive bid process, according to state law.

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

CRITTENDEN COUNTY FISCAL COURT

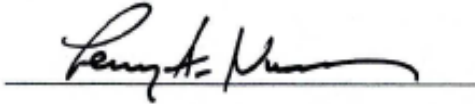
**For The Fiscal Year Ended
June 30, 2016**

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

For The Fiscal Year Ended June 30, 2016

The Crittenden 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 black ink, appearing to read "Perry A. Mann", is written over a horizontal line.

County Judge/Executive