

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

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



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

June 30, 2016

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

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

Financial Condition:

The Gallatin County Fiscal Court had total receipts of \$5,183,160, disbursements of \$5,968,707, and capital lease proceeds of \$575,930 in fiscal year 2016. This resulted in a total ending fund balance of \$1,526,484, which is a decrease of \$209,617 from the prior year.

Deposits:

The fiscal court's 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 Ken McFarland, Gallatin County Judge/Executive
Members of the Gallatin 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 Gallatin County Fiscal Court, for the year ended June 30, 2016, and the related notes to the financial statement which collectively comprise the Gallatin County Fiscal Court's financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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



To the People of Kentucky
The Honorable Matthew G. Bevin, Governor
William M. Landrum III, Secretary
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Members of the Gallatin County Fiscal Court

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 Gallatin 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 Gallatin County Fiscal Court as of June 30, 2016, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the fund balances of the Gallatin 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 Gallatin County Fiscal Court. The Budgetary Comparison Schedules and Capital Asset Schedule are presented for purposes of additional analysis and are not a required part of the financial statement; however, they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.


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

To the People of Kentucky
The Honorable Matthew G. Bevin, Governor
William M. Landrum III, Secretary
Finance and Administration Cabinet
The Honorable Ken McFarland, Gallatin County Judge/Executive
Members of the Gallatin County Fiscal Court

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2018, on our consideration of the Gallatin 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 Gallatin County Fiscal Court's internal control over financial reporting and compliance.

Respectfully submitted,

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

Mike Harmon
Auditor of Public Accounts

February 22, 2018

GALLATIN COUNTY OFFICIALS

For The Year Ended June 30, 2016

Fiscal Court Members:

Ken McFarland	County Judge/Executive
Sally Davis	Magistrate
Joe Shinkle	Magistrate
Eric Moore	Magistrate
Jeff Wallace	Magistrate

Other Elected Officials:

John Wright	County Attorney
Jerry Webb	Jailer
Tracy Miles	County Clerk
Pam McIntyre	Circuit Court Clerk
Josh Neale	Sheriff
Ruth Middleton	Property Valuation Administrator
Sue Legrand	Coroner

Appointed Personnel:

Lesa Bullard	County Treasurer
Malinda Weldon	Finance Officer

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

For The Year Ended June 30, 2016

GALLATIN 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
RECEIPTS			
Taxes	\$ 1,815,662	\$	\$
In Lieu Tax Payments	510,329		
Excess Fees	94,200		
Licenses and Permits	74,382		
Intergovernmental	378,396	709,673	94,231
Charges for Services	154,359		6,063
Miscellaneous	91,288	149,148	2,042
Interest	971	822	29
Total Receipts	<u>3,119,587</u>	<u>859,643</u>	<u>102,365</u>
DISBURSEMENTS			
General Government	1,225,171		
Protection to Persons and Property	72,100		348,495
General Health and Sanitation	56,158		
Social Services	53,349		
Recreation and Culture	2,000		
Roads		808,743	
Debt Service	270,770	116,366	
Capital Projects		485,000	
Administration	927,757	52,463	21,604
Total Disbursements	<u>2,607,305</u>	<u>1,462,572</u>	<u>370,099</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>512,282</u>	<u>(602,929)</u>	<u>(267,734)</u>
Other Adjustments to Cash (Uses)			
Capital Lease Proceeds		485,000	
Transfers From Other Funds	100,000	20,759	275,000
Transfers To Other Funds	(620,759)	(100,000)	
Total Other Adjustments to Cash (Uses)	<u>(520,759)</u>	<u>405,759</u>	<u>275,000</u>
Net Change in Fund Balance	(8,477)	(197,170)	7,266
Fund Balance - Beginning (Restated)	452,123	512,912	9,667
Fund Balance - Ending	<u>\$ 443,646</u>	<u>\$ 315,742</u>	<u>\$ 16,933</u>
Composition of Fund Balance			
Bank Balance	\$ 292,943	\$ 132,133	\$ 17,201
Less: Outstanding Checks	(8,954)	(510)	(268)
Certificates of Deposit	159,657	184,119	
Fund Balance - Ending	<u>\$ 443,646</u>	<u>\$ 315,742</u>	<u>\$ 16,933</u>

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

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

Budgeted Funds				
Local Government Economic Assistance Fund	State Grants Fund	Ambulance Fund	Economic Assistance Fund	911 Fund
\$	\$	\$	\$	\$ 39,446
241,416		636,129		
12,699		226	7,901	9,485
309		87	708	16
<u>254,424</u>		<u>636,442</u>	<u>8,609</u>	<u>48,947</u>
1,058			7,901	
90,930	1,800	756,024		224,837
1,920				
12,637				
96,621				
106,870				
2,057		127,949		33,862
<u>312,093</u>	<u>1,800</u>	<u>883,973</u>	<u>7,901</u>	<u>258,699</u>
<u>(57,669)</u>	<u>(1,800)</u>	<u>(247,531)</u>	<u>708</u>	<u>(209,752)</u>
90,930		205,000		209,500
<u>90,930</u>		<u>205,000</u>		<u>209,500</u>
33,261	(1,800)	(42,531)	708	(252)
152,872	1,823	83,957	201,437	11,104
<u>\$ 186,133</u>	<u>\$ 23</u>	<u>\$ 41,426</u>	<u>\$ 202,145</u>	<u>\$ 10,852</u>
\$ 186,133	\$ 23	\$ 28,064	\$ 202,145	\$ 10,852
		(1,841)		
		15,203		
<u>\$ 186,133</u>	<u>\$ 23</u>	<u>\$ 41,426</u>	<u>\$ 202,145</u>	<u>\$ 10,852</u>

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

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

	Budgeted Funds			
	911 Wireless Fund	Tourism Fund	AOC Fund	Total Funds
RECEIPTS				
Taxes	\$	\$ 35,996	\$	\$ 1,891,104
In Lieu Tax Payments				510,329
Excess Fees				94,200
Licenses and Permits				74,382
Intergovernmental	91,311		22,659	1,537,686
Charges for Services				796,551
Miscellaneous		2,280		275,069
Interest	10	115	772	3,839
Total Receipts	<u>91,321</u>	<u>38,391</u>	<u>23,431</u>	<u>5,183,160</u>
DISBURSEMENTS				
General Government			25,834	1,259,964
Protection to Persons and Property	1,935			1,496,121
General Health and Sanitation				58,078
Social Services				65,986
Recreation and Culture		36,496		135,117
Roads				808,743
Debt Service				494,006
Capital Projects				485,000
Administration				1,165,692
Total Disbursements	<u>1,935</u>	<u>36,496</u>	<u>25,834</u>	<u>5,968,707</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>89,386</u>	<u>1,895</u>	<u>(2,403)</u>	<u>(785,547)</u>
Other Adjustments to Cash (Uses)				
Capital Lease Proceeds				575,930
Transfers From Other Funds				810,259
Transfers To Other Funds	(89,500)			(810,259)
Total Other Adjustments to Cash (Uses)	<u>(89,500)</u>			<u>575,930</u>
Net Change in Fund Balance	(114)	1,895	(2,403)	(209,617)
Fund Balance - Beginning (Restated)	3,359	78,304	228,543	1,736,101
Fund Balance - Ending	<u>\$ 3,245</u>	<u>\$ 80,199</u>	<u>\$ 226,140</u>	<u>\$ 1,526,484</u>
Composition of Fund Balance				
Bank Balance	\$ 3,245	\$ 80,699	\$ 226,140	\$ 1,179,578
Less: Outstanding Checks		(500)		(12,073)
Certificates of Deposit				358,979
Ending Fund Balance	<u>\$ 3,245</u>	<u>\$ 80,199</u>	<u>\$ 226,140</u>	<u>\$ 1,526,484</u>

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

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GALLATIN COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2016

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

B. Basis of Accounting

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

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

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

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

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

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

State Grants Fund - The primary purpose of this fund is to account for grant monies received from state and federal agencies. The funds may be used for completing major projects or for specific operating expenses.

Ambulance Fund - The primary purpose of this fund is to account for ambulance services provided to the residents of Gallatin County. The primary source of receipts comes from ambulance services.

Economic Assistance Fund - The primary purpose of this fund is a result of repayment of grant proceeds due to a company not meeting grant requirements. The Cabinet for Economic Development requires these funds to be used for economic development purposes that have prior approval of the cabinet.

911 Fund - The purpose of this fund is to account for Emergency 911 receipts and disbursements. The sole source of receipts for this fund is telephone tax.

911 Wireless Fund - The purpose of this fund is to account for wireless 911 cellular receipts and disbursements. The sole source of receipts for this fund is 911 wireless receipts.

Tourism Fund - The purpose of this fund is to account for tourism related expenses. The main source of receipts is a transient room tax.

AOC Fund - The purpose of this fund is to account for courthouse related expenses. The sole source of receipts is the Administrative Office of the Courts (AOC).

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.

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

Note 1. Summary of Significant Accounting Policies (Continued)

E. Gallatin County Elected Officials

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

G. Long-term Obligations

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

Note 2. Deposits

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

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

Note 2. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 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.

Note 3. Transfers

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

	General Fund	Road Fund	911 Wireless Fund	Total Transfers In
General Fund	\$	\$ 100,000	\$	\$ 100,000
Road Fund	20,759			20,759
Jail Fund	275,000			275,000
Ambulance Fund	205,000			205,000
911 Fund	120,000		89,500	209,500
Total Transfers Out	<u>\$ 620,759</u>	<u>\$ 100,000</u>	<u>\$ 89,500</u>	<u>\$ 810,259</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. Long-term Debt

A. Mars Road

On May 27, 2004, the Gallatin County Fiscal Court entered into a 25 year lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) in the amount of \$370,000 at a variable interest rate in order to finance the improvements of Mars Road so that it may be a part of the county road system. Payments of this debt are to be made by the property owners located on Mars Road. Payments are collected by Gallatin County and distributed to KACoLT in order to meet the debt requirements. Interest is paid on a monthly basis and a principal payment is made annually until termination of the lease on July 20, 2029.

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

Note 4. Long-term Debt (Continued)

A. Mars Road (Continued)

Principal payment requirements and scheduled interest for the term of the agreement are as follows:

Fiscal Year Ended June 30	Principal	Interest
2017	\$ 15,000	\$ 8,795
2018	15,000	8,162
2019	15,000	7,520
2020	15,000	6,906
2021	15,000	6,264
2022-2026	85,000	25,984
2027-2029	<u>65,911</u>	<u>8,577</u>
Totals	<u>\$ 225,911</u>	<u>\$ 72,208</u>

B. Sugar Bay Road

On May 27, 2004, the Gallatin County Fiscal Court entered into a 25 year lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) in the amount of \$160,000 at a variable interest rate in order to finance the improvements of Sugar Bay Road so that it may be a part of the county road system. Payments of this debt are to be made by the property owners located on Sugar Bay Road. Payments are collected by Gallatin County and distributed to KACoLT in order to meet the debt requirements. Interest is paid on a monthly basis and a principal payment is made annually until termination of the lease on July 20, 2027.

Principal payment requirements and scheduled interest for the term of the agreement are as follows:

Fiscal Year Ended June 30	Principal	Interest
2017	\$ 5,000	\$ 2,807
2018	5,000	2,596
2019	5,000	2,382
2020	5,000	2,177
2021	5,000	1,963
2022-2026	30,000	11,302
2027-2028	<u>17,098</u>	<u>411</u>
Totals	<u>\$ 72,098</u>	<u>\$ 23,638</u>

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

Note 4. Long-term Debt (Continued)

C. Land-County Park and Fairgrounds

On September 15, 2005, the Gallatin County Fiscal Court entered into a 20 year lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) in the amount of \$820,000 at a variable interest rate in order to finance the acquisition of 155 acres of land for a county park and fairgrounds. Interest is paid on a monthly basis and a principal payment is made annually until termination of the lease on January 20, 2026.

Principal payment requirements and scheduled interest for the term of the agreement are as follows:

Fiscal Year Ended June 30	Principal	Interest
2017	\$ 40,000	\$ 20,289
2018	40,000	18,613
2019	45,000	16,832
2020	45,000	14,947
2021	50,000	12,959
2022-2026	<u>268,213</u>	<u>29,560</u>
Totals	<u>\$ 488,213</u>	<u>\$ 113,200</u>

D. Courthouse Renovations #1

On June 30, 2006, the Gallatin County Fiscal Court entered into a 20 year lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) in the amount of \$2,498,784 in order to finance the renovations of the Gallatin County Courthouse. The courthouse will be subleased to the Administrative Office of the Courts (AOC) of the Commonwealth of Kentucky for use as court facilities. Under the sublease agreement, the financing obligation payments of the county are to be paid directly to the trustee by AOC and the fiscal court is obligated to provide operation, maintenance, insurance, and repair of the project. Interest is paid on a monthly basis and principal payments are paid on a semi-annual basis until termination of the lease on November 20, 2026.

The rate in the lease was fixed at 4.49 percent through the use of an interest rate swap between the trustee and a third party financial institution. The trustee has the right to charge any costs associated with the interest rate swap to the fiscal court through additional future rentals.

Principal payment requirements and scheduled interest for the remaining term of the agreement, excluding any additional rentals resulting from the interest rate swap, are as follows:

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

Note 4. Long-term Debt (Continued)

D. Courthouse Renovations #1 (Continued)

Fiscal Year Ended June 30	Principal	Interest
2017	\$ 116,427	\$ 82,573
2018	122,568	76,432
2019	129,140	69,860
2020	135,744	63,256
2021	143,004	55,996
2022-2026	836,458	158,542
2027	198,097	903
Totals	<u>\$ 1,681,438</u>	<u>\$ 507,562</u>

E. Courthouse Renovations #2

On June 28, 2007, the Gallatin County Fiscal Court entered into a 20 year lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) in the amount of \$375,808 in order to further finance the renovations of the Gallatin County Courthouse. As above, the courthouse will be subleased to AOC for use as court facilities. Under the sublease agreement, the financing obligation payments of the county are to be paid directly to the trustee by AOC and the fiscal court is obligated to provide operation, maintenance, insurance, and repair of the project. Interest is paid on a monthly basis and principal payments are paid on a semi-annual basis until termination of the lease on May 20, 2027. The rate in the lease was fixed at 5.157 percent through the use of an interest rate swap between the trustee and a third party financial institution. The trustee has the right to charge any costs associated with the interest rate swap to the fiscal court through additional future rentals.

Principal payment requirements and scheduled interest for the remaining term of the agreement, excluding any additional rentals resulting from the interest rate swap, are as follows:

Fiscal Year Ended June 30	Principal	Interest
2017	\$ 17,564	\$ 12,286
2018	18,472	11,378
2019	19,430	10,420
2020	20,434	9,416
2021	21,492	8,358
2022-2026	125,355	23,895
2027	29,210	640
Totals	<u>\$ 251,957</u>	<u>\$ 76,393</u>

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

Note 4. Long-term Debt (Continued)

F. Courthouse Renovations Agreement

On July 10, 2001, the Gallatin County Fiscal Court entered into a lease agreement with AOC, which states that AOC agrees to pay 100 percent of the debt service requirements. The lease does not require the fiscal court to make any rental payments toward the project; however, the fiscal court is obligated to provide operation, maintenance, insurance, and repair of the project.

The lease is secured by a security interest in any and all right, title, and interest of the county in the courthouse that constitute personal property and in all additions, attachments, accessions, and substitutions thereto, and any proceeds therefrom.

G. Carver Farms Subdivision Roads

On December 22, 2005, the Gallatin County Fiscal Court entered into a 25 year lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) in the amount of \$79,000 at a variable interest rate in order to finance the construction of roads in the Carver Farms Subdivision so that they may be a part of the county road system. Payments of this debt are to be made by the property owners located in the Carver Farms Subdivision. Payments are collected by the Gallatin County Fiscal Court and distributed to KACoLT in order to meet the debt requirements. Principal and interest are paid on a monthly basis until termination of the lease on December 20, 2030.

Principal payment requirements and scheduled interest for the term of the agreement are as follows:

Fiscal Year Ended		
June 30	Principal	Interest
2017	\$ 2,560	\$ 2,552
2018	2,722	2,441
2019	2,894	2,322
2020	3,075	2,199
2021	3,269	2,062
2022-2026	19,719	8,006
2027-2031	22,223	3,055
Totals	<u>\$ 56,462</u>	<u>\$ 22,637</u>

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

Note 4. Long-term Debt (Continued)

H. Creekside Subdivision Roads

On December 22, 2005, the Gallatin County Fiscal Court entered into a 25 year lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) in the amount of \$157,000 at a variable interest rate in order to finance the construction of roads in the Creekside Subdivision so that they may be a part of the county road system. Payments of this debt are to be made by the property owners located in the Creekside Subdivision. Payments are collected by the Gallatin County Fiscal Court and distributed to KACoLT in order to meet the debt requirements. Principal and interest are paid on a monthly basis until termination of the lease on December 20, 2029.

Principal payment requirements and scheduled interest for the term of the agreement are as follows:

Fiscal Year Ended				
June 30	Principal	Interest	Total	
2017	\$ 4,351	\$ 3,593	\$ 7,944	
2018	4,624	3,406	8,030	
2019	4,917	3,203	8,120	
2020	5,228	2,992	8,220	
2021	5,557	8,322	16,644	
2022-2026	33,516	9,886	43,402	
2027-2029	23,302	2,093	25,395	
Totals	<u>\$ 81,495</u>	<u>\$ 33,495</u>	<u>\$ 117,755</u>	

I. Fire Truck

On May 2, 2007, the Gallatin County Fiscal Court entered into an agreement with the U.S. Department of Agriculture for the purpose of assuming a loan acquired by the Gallatin County Fire Department on March 21, 2001 for a fire truck. The original principal amount was for \$239,263. The termination date of the agreement was March 21, 2021. The interest rate for the loan was fixed at 4.75 percent. The remaining principal of \$62,746 was paid off during the fiscal year.

J. Scenic View Road

On September 4, 2007, the Gallatin County Fiscal Court entered into a 25 year lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) in the amount of \$138,283 at a variable rate of interest in order to finance the construction of roads in Scenic View Subdivision so that they may be part of the county road system. Payments of this debt are to be made by the property owners located in the Scenic View Subdivision. Payments are collected by the Gallatin County Fiscal Court and distributed to KACoLT in order to meet the debt requirements. Principal and interest are paid on a monthly basis until termination of the lease on September 20, 2032.

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

Note 4. Long-term Debt (Continued)

J. Scenic View Road (Continued)

Principal payment requirements and scheduled interest for the term of the agreement are as follows:

Fiscal Year Ended June 30	Principal	Interest
2017	\$ 4,095	\$ 4,822
2018	4,354	4,643
2019	4,632	4,449
2020	4,921	4,256
2021	5,231	4,041
2022-2026	31,542	16,505
2027-2031	42,832	8,747
2032-2033	12,919	667
Totals	<u>\$ 110,526</u>	<u>\$ 48,130</u>

K. Hillendale Road

On November 30, 2012, the Gallatin County Fiscal Court entered into a 25 year lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) in the amount of \$85,000 at a variable rate of interest in order to finance the construction of roads in Hillendale Subdivision so that they may be part of the county road system. Payments of this debt are to be made by the property owners located in the Hillendale Subdivision. Payments are collected by the Gallatin County Fiscal Court and distributed to KACoLT in order to meet the debt requirements. Principal and interest are paid on a monthly basis until termination of the lease on December 20, 2032.

Principal payment requirements and scheduled interest for the term of the agreement are as follows:

Fiscal Year Ended June 30	Principal	Interest
2017	\$ 5,000	\$ 2,761
2018	5,000	2,649
2019	5,000	2,536
2020	5,000	2,424
2021	5,000	2,311
2022-2026	25,000	9,675
2027-2031	25,000	5,950
2032-2033	7,500	1,010
Totals	<u>\$ 82,500</u>	<u>\$ 29,316</u>

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

Note 4. Long-term Debt (Continued)

L. Sheriff's Vehicle #1

On May 20, 2013, the Gallatin County Fiscal Court entered into an agreement with Magnolia Bank for the purpose of securing a loan to purchase a vehicle for the sheriff's office. The original principal amount was \$24,150. The agreement required four annual interest and principal payments and the agreement was to be paid in full by June 1, 2016. The remaining principal of \$6,170 was paid off during the fiscal year.

M. Sheriff's Vehicle #2

On May 8, 2014, the Gallatin County Fiscal Court entered into an agreement with Magnolia Bank for the purpose of securing a loan to purchase a vehicle for the sheriff's office. The original principal amount was \$30,208. The agreement required four annual interest and principal payments and the agreement was to be paid in full by June 1, 2017. The remaining principal of \$15,138 was paid off during the fiscal year.

N. Road Equipment

On May 16, 2014, the Gallatin County Fiscal Court entered into an agreement with Magnolia Bank for the purpose of securing a loan to purchase a backhoe and roller for the road department. The original principal amount was \$98,200. The agreement requires five annual interest and principal payments of \$21,287 and the agreement is to be paid in full by September 1, 2019.

Principal payment requirements and scheduled interest for the term of the agreement are as follows:

Fiscal Year Ended June 30	Principal	Interest
2017	\$ 19,144	\$ 2,143
2018	19,853	1,434
2019	<u>8,687</u>	<u>698</u>
Totals	<u>\$ 47,684</u>	<u>\$ 4,275</u>

O. 911 Recording Equipment

On July 15, 2013, the Gallatin County Fiscal Court entered into an agreement with Fleetwood Leasing Equipment for the purpose of securing a loan to purchase 911 recording equipment for the dispatch. The original principal amount was \$15,191. The agreement requires five annual interest and principal payments and the agreement is to be paid in full by July 15, 2017.

Principal payment requirements and scheduled interest for the term of the agreement are as follows:

Fiscal Year Ended June 30	Principal	Interest
2017	\$ 3,020	\$ 503
2018	<u>3,262</u>	<u>261</u>
Totals	<u>\$ 6,282</u>	<u>\$ 764</u>

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

Note 4. Long-term Debt (Continued)

P. EMS Vehicle

On December 12, 2014, the Gallatin County Fiscal Court entered into an agreement with Magnolia Bank for the purpose of securing a loan to purchase a vehicle for the ambulance service. The original principal amount was \$124,829. The agreement requires five annual interest and principal payments and the agreement is to be paid in full by June 1, 2019.

Principal payment requirements and scheduled interest for the term of the agreement are as follows:

Fiscal Year Ended June 30	Principal	Interest
2017	\$ 23,028	\$ 1,938
2018	23,811	1,155
2019	<u>24,620</u>	<u>345</u>
Totals	<u>\$ 71,459</u>	<u>\$ 3,438</u>

Q. Ambulance Equipment

On June 24, 2014, the Gallatin County Fiscal Court entered into an agreement with Stryker Flex Financial for the purpose of securing a loan to purchase ambulance equipment. The original principal amount was \$26,935. The agreement requires three annual payments of \$8,978. The balance of the loan agreement as of June 30, 2016 is \$8,978.

R. Napoleon Hills Subdivision Roads

On October 22, 2015, the Gallatin County Fiscal Court entered into a 15 year lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) in the amount of \$115,000 at a variable rate of interest in order to finance the construction of roads in Napoleon Hills Subdivision so that they may be part of the county road system. Payments of this debt are to be made by the property owners located in the Napoleon Hills Subdivision. Payments are collected by the Gallatin County Fiscal Court and distributed to KACoLT in order to meet the debt requirements. Principal and interest are paid on a monthly basis until termination of the lease on December 20, 2029. Principal payment requirements and scheduled interest for the term of the agreement are as follows:

Fiscal Year Ended June 30	Principal	Interest
2017	\$ 5,000	\$ 3,300
2018	5,000	3,150
2019	5,000	3,000
2020	5,000	2,850
2021	5,000	2,700
2022-2026	47,500	10,050
2027-2030	<u>35,000</u>	<u>2,588</u>
Totals	<u>\$ 107,500</u>	<u>\$ 27,638</u>

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

Note 4. Long-term Debt (Continued)

S. Fogg Road

On October 22, 2015, the Gallatin County Fiscal Court entered into a 15 year lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) in the amount of \$180,000 at a variable rate of interest in order to finance the construction of roads in Fogg Road Subdivision so that they may be part of the county road system. Payments of this debt are to be made by the property owners located in the Fogg Road Subdivision. Payments are collected by the Gallatin County Fiscal Court and distributed to KACoLT in order to meet the debt requirements. Interest is paid on a monthly basis and a principal payment is made annually until termination of the lease on December 20, 2029.

Principal payment requirements and scheduled interest for the term of the agreement are as follows:

Fiscal Year Ended June 30	Principal	Interest
2017	\$ 10,000	\$ 5,212
2018	10,000	4,913
2019	10,000	4,613
2020	10,000	4,313
2021	10,000	4,013
2022-2026	67,500	14,888
2027-2030	52,500	3,881
Totals	<u>\$ 170,000</u>	<u>\$ 41,831</u>

T. Valley View Subdivision Roads

On October 22, 2015, the Gallatin County Fiscal Court entered into a 20 year lease with the Kentucky Association of Counties Leasing Trust (KACoLT) in the amount of \$190,000 at a variable rate of interest in order to finance the construction of roads in Valley View Subdivision so that they may be part of the county road system. Payments of this debt are to be made by the property owners located in the Valley View Subdivision. Payments are collected by the Gallatin County Fiscal Court and distributed to KACoLT in order to meet the debt requirements. Principal and interest are paid on a monthly basis until termination of the lease on December 20, 2034.

Principal payment requirements and scheduled interest for the term of the agreement are as follows:

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

Note 4. Long-term Debt (Continued)

T. Valley View Subdivision Roads (Continued)

Fiscal Year Ended June 30	Principal	Interest
2017	\$ 7,500	\$ 5,950
2018	10,000	5,725
2019	10,000	5,425
2020	10,000	5,125
2021	10,000	4,825
2022-2026	50,000	19,625
2027-2031	50,000	11,925
2032-2035	40,000	3,485
Totals	<u>\$ 187,500</u>	<u>\$ 62,085</u>

U. Rescue Truck

On December 17, 2015, the Gallatin County Fiscal Court entered into an agreement with Magnolia Bank for the purpose of securing a loan to purchase a rescue truck for the Glenco Fire Protection District. The original principal amount was \$90,930. The agreement requires five annual interest and principal payments and the agreement is to be paid in full by December 17, 2019.

Principal payment requirements and scheduled interest for the term of the agreement are as follows:

Fiscal Year Ended June 30	Principal	Interest
2017	\$ 15,789	\$ 2,259
2018	16,326	1,722
2019	16,881	1,167
2020	17,454	593
Totals	<u>\$ 66,450</u>	<u>\$ 5,741</u>

V. Interest Rate Swaps

Some of the fiscal court's leases have been fixed through the use of interest rate swaps. The interest rate swaps are exchange agreements between the trustee and a third party financial institution, whereby the third party financial institution pays the trustee the variable rate interest within the swap (which is equivalent to the variable rate within the lease) and the fiscal court pays the fixed rate stated by the swap. Under the terms of lease agreements the trustee has the right to charge costs associated with the interest rate swap to the fiscal court through additional future rentals.

The swap becomes effective on the date that the county exercises its option to convert the variable interest rate in the lease to a fixed rate. The notional amount of the swap at that exercise date is equivalent to the then outstanding principal balance. The notional amount reduces over the term of the lease by the same amount as the principal payments on the lease, as they fall due. The swap terminates on the same date as the final principal payment is due on the respective lease.

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

Note 4. Long-term Debt (Continued)

V. Interest Rate Swaps (Continued)

The interest rate swaps in effect as of June 30, 2016 are as follows:

The settlement values above are calculated using the zero-coupon rate and are considered by the fiscal court to represent the fair value of the interest rate swaps at June 30, 2016. The variable rate on all of the swaps is the USD-BMA Municipal Swap Index.

	Date Effective	Termination Date	Notional Amount at June 30, 2016
Courthouse Renovations - A	June 30, 2006	December 1, 2026	\$ 1,681,437
Courthouse Renovations - B	June 28, 2007	June 1, 2027	\$ 251,957

The swaps expose the fiscal court to the following risks that could give rise to additional rentals:

Credit risk: Credit risk is the risk that the third party financial institution will not fulfill its obligations to pay the variable rate interest. All third party financial institutions party to the interest rate swaps have S&P credit quality ratings of AA-. The value of the transaction to the fiscal court depends upon the third party financial institutions maintaining their perceived creditworthiness in the municipal marketplace and fulfilling their obligations under the interest rate swap agreements. Should the third party financial institutions fail to fulfill their obligations, the fiscal court will be required to pay additional rentals for any costs associated with terminating the swap agreement, plus the costs of entering into an interest rate swap agreement with an alternative financial institution. Should an alternative agreement not be available, the fiscal court would be required to make payments at the variable interest rate contained within the lease.

Basis risk: Basis risk is a term used to refer to a mismatch in the source of the variable interest rates in the lease agreement and the swap agreement. When an agency uses an interest rate swap agreement in conjunction with a variable rate debt instrument, the variable rate index used to calculate the payments due under the swap agreement (in this case, the USD-BMA Municipal Swap Index) may not match the rate at which the variable rate debt is remarketed (the interest rate on KACoLT's variable rate bonds, which is reset on a daily basis). This mismatch could potentially be magnified if KACoLT were to administer the program in such a way that the underlying bonds were determined to be taxable obligations, which would be considered an event of default according to the terms of the letter of credit agreement.

Termination risk: Termination risk is the risk that a derivative's unscheduled end will affect the fiscal court's asset/liability strategy or will present the fiscal court with potentially significant unscheduled termination payments to the trustee. For example, the fiscal court relies on the interest rate swaps to insulate it from the possibility of increasing interest rate payments. If the swap has an unscheduled termination, that benefit would not be available. The fiscal court would also be required to pay any costs associated with terminating the swap agreement.

Market access risk: Market-access risk is the risk that the fiscal court will not be able to enter credit markets or that credit will become more costly. If the fiscal court is required to pay additional rentals or be required to pay higher variable rates, the fiscal court's credit rating could suffer and additional debt could become more expensive and more difficult to sell. The fiscal court may also be required to pay additional rentals for fees relating to any letters of credit being used to collateralize the interest rate swaps. Furthermore, if interest rates in the municipal bond market were to decrease and the fiscal court wanted to refinance the debt at a lower

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

Note 4. Long-term Debt (Continued)

V. Interest Rate Swaps (Continued)

interest rate, the fiscal court would first have to terminate the swap agreement. When interest rate swap agreements are terminated prior to the contract's maturity, one party to the agreement will owe the other party a termination payment that reflects the value of the swap under current market conditions. It is likely that if rates have decreased to the extent that the fiscal court would want to refinance the debt, the fiscal court would be the party that would have to make a termination payment. The use of the interest rate swap agreement may limit the fiscal court's flexibility in managing the lease obligations going forward.

W. Changes In Long-term Debt

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

	(Restated) Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Financing Obligations	\$ 3,513,779	\$ 575,930	\$ 373,252	\$ 3,716,457	\$ 302,456
Total Long-term Debt	<u>\$ 3,513,779</u>	<u>\$ 575,930</u>	<u>\$ 373,252</u>	<u>\$ 3,716,457</u>	<u>\$ 302,456</u>

Note 5. Employee Retirement System

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.

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

Note 5. Employee Retirement System (Continued)

The county's contribution for FY 2014 was \$312,166, FY 2015 was \$335,606, and FY 2016 was \$366,314.

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

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

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

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

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

KRS issues a publicly available annual financial report that includes financial statements and required supplementary information on CERS. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

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

Note 6. Deferred Compensation

On July 15, 1999, the Gallatin 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.

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

Note 6. Deferred Compensation (Continued)

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing 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 7. Insurance

For the fiscal year ended June 30, 2016, the Gallatin County Fiscal Court 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.

Note 8. Related Party Transactions

The county hired a child of the county treasurer and a child of a magistrate to mow abandoned properties owned by the county. Both received a 1099 for their work.

Note 9. Conduit Debt

From time to time, the Gallatin County Fiscal Court has issued bonds and leases to provide financial assistance 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 Gallatin County Fiscal Court's name as issuer, the Gallatin County 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 Gallatin County 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.

Note 10. Accounts Receivable

The Gallatin County Fiscal Court provides ambulance services to the citizens in the county. The ambulance service bills Medicare, Medicaid, health insurance companies, and individuals for services provided. As of June 30, 2016, unpaid bills totaled \$597,213.

Note 11. Prior Period Adjustments

The prior year ending fund balance for the road fund was increased by \$1,195 for an adjusted beginning fund balance of \$512,912. The adjustment was due to a prior year outstanding check being voided.

The prior year ending fund balances for the ambulance fund and AOC fund increased by \$1 due to rounding for adjusted beginning fund balances of \$83,957 and \$228,543 respectively.

The long-term debt beginning balance (Note 4.W.) was restated due to errors in the prior year.

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GALLATIN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2016

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GALLATIN 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	\$ 1,621,400	\$ 1,621,400	\$ 1,815,662	\$ 194,262
In Lieu Tax Payments	500,000	500,000	510,329	10,329
Excess Fees	6,000	94,200	94,200	
Licenses and Permits	68,000	68,000	74,382	6,382
Intergovernmental	125,350	355,200	378,396	23,196
Charges for Services	85,000	85,000	154,359	69,359
Miscellaneous	20,100	25,513	91,288	65,775
Interest	400	400	971	571
Total Receipts	<u>2,426,250</u>	<u>2,749,713</u>	<u>3,119,587</u>	<u>369,874</u>
DISBURSEMENTS				
General Government	1,169,912	1,286,163	1,225,171	60,992
Protection to Persons and Property	92,300	93,405	72,100	21,305
General Health and Sanitation	54,500	59,698	56,158	3,540
Social Services	58,000	66,629	53,349	13,280
Recreation and Culture	2,000	2,000	2,000	
Debt Service	50,000	272,850	270,770	2,080
Administration	991,819	960,472	927,757	32,715
Total Disbursements	<u>2,418,531</u>	<u>2,741,217</u>	<u>2,607,305</u>	<u>133,912</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>7,719</u>	<u>8,496</u>	<u>512,282</u>	<u>503,786</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	100,000	100,000	100,000	
Transfers To Other Funds	<u>(408,380)</u>	<u>(408,380)</u>	<u>(620,759)</u>	<u>(212,379)</u>
Total Other Adjustments to Cash (Uses)	<u>(308,380)</u>	<u>(308,380)</u>	<u>(520,759)</u>	<u>(212,379)</u>
Net Change in Fund Balance	(300,661)	(299,884)	(8,477)	291,407
Fund Balance - Beginning	<u>300,661</u>	<u>300,661</u>	<u>452,123</u>	<u>151,462</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 777</u>	<u>\$ 443,646</u>	<u>\$ 442,869</u>

GALLATIN 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	\$ 682,005	\$ 682,005	\$ 709,673	\$ 27,668
Charges for Services	300,000	300,000		(300,000)
Miscellaneous	64,600	143,038	149,148	6,110
Interest	1,300	1,300	822	(478)
Total Receipts	<u>1,047,905</u>	<u>1,126,343</u>	<u>859,643</u>	<u>(266,700)</u>
DISBURSEMENTS				
Roads	1,012,000	1,035,850	808,743	227,107
Debt Service	83,500	140,088	116,366	23,722
Capital Projects			485,000	(485,000)
Administration	76,550	74,550	52,463	22,087
Total Disbursements	<u>1,172,050</u>	<u>1,250,488</u>	<u>1,462,572</u>	<u>(212,084)</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(124,145)</u>	<u>(124,145)</u>	<u>(602,929)</u>	<u>(478,784)</u>
Other Adjustments to Cash (Uses)				
Capital Lease Proceeds			485,000	485,000
Transfers From Other Funds			20,759	20,759
Transfers To Other Funds	(100,000)	(100,000)	(100,000)	
Total Other Adjustments to Cash (Uses)	<u>(100,000)</u>	<u>(100,000)</u>	<u>405,759</u>	<u>505,759</u>
Net Change in Fund Balance	(224,145)	(224,145)	(197,170)	26,975
Fund Balance - Beginning (Restated)	<u>224,145</u>	<u>224,145</u>	<u>512,912</u>	<u>288,767</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 315,742</u>	<u>\$ 315,742</u>

GALLATIN 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				
Intergovernmental	\$ 102,000	\$ 102,000	\$ 94,231	\$ (7,769)
Charges for Services	7,000	7,000	6,063	(937)
Miscellaneous	400	2,237	2,042	(195)
Interest	10	10	29	19
Total Receipts	<u>109,410</u>	<u>111,247</u>	<u>102,365</u>	<u>(8,882)</u>
DISBURSEMENTS				
Protection to Persons and Property	394,600	397,505	348,495	49,010
Administration	32,668	31,600	21,604	9,996
Total Disbursements	<u>427,268</u>	<u>429,105</u>	<u>370,099</u>	<u>59,006</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(317,858)</u>	<u>(317,858)</u>	<u>(267,734)</u>	<u>50,124</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>302,858</u>	<u>302,858</u>	<u>275,000</u>	<u>(27,858)</u>
Total Other Adjustments to Cash (Uses)	<u>302,858</u>	<u>302,858</u>	<u>275,000</u>	<u>(27,858)</u>
Net Change in Fund Balance	(15,000)	(15,000)	7,266	22,266
Fund Balance - Beginning	<u>15,000</u>	<u>15,000</u>	<u>9,667</u>	<u>(5,333)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 16,933</u>	<u>\$ 16,933</u>

GALLATIN 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				
Intergovernmental	\$ 165,712	\$ 165,712	\$ 241,416	\$ 75,704
Miscellaneous	50	12,748	12,699	(49)
Interest	50	50	309	259
Total Receipts	<u>165,812</u>	<u>178,510</u>	<u>254,424</u>	<u>75,914</u>
DISBURSEMENTS				
General Government	2,500	2,500	1,058	1,442
Protection to Persons and Property			90,930	(90,930)
General Health and Sanitation	2,700	2,700	1,920	780
Social Services	13,000	13,000	12,637	363
Recreation and Culture	194,212	199,912	96,621	103,291
Debt Service	111,000	123,698	106,870	16,828
Administration	15,000	9,300	2,057	7,243
Total Disbursements	<u>338,412</u>	<u>351,110</u>	<u>312,093</u>	<u>39,017</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(172,600)</u>	<u>(172,600)</u>	<u>(57,669)</u>	<u>114,931</u>
Other Adjustments to Cash (Uses)				
Capital Lease Proceeds			90,930	90,930
Total Other Adjustments to Cash (Uses)			<u>90,930</u>	<u>90,930</u>
Net Change in Fund Balance	(172,600)	(172,600)	33,261	205,861
Fund Balance - Beginning	<u>172,600</u>	<u>172,600</u>	<u>152,872</u>	<u>(19,728)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 186,133</u>	<u>\$ 186,133</u>

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

	STATE GRANTS FUND			
	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
RECEIPTS				
Intergovernmental	\$ 1,000	\$ 1,000	\$	\$ (1,000)
Total Receipts	<u>1,000</u>	<u>1,000</u>		<u>(1,000)</u>
DISBURSEMENTS				
Protection to Persons and Property	1,023	1,800	1,800	
Total Disbursements	<u>1,023</u>	<u>1,800</u>	<u>1,800</u>	
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(23)</u>	<u>(800)</u>	<u>(1,800)</u>	<u>(1,000)</u>
Net Change in Fund Balance	(23)	(800)	(1,800)	(1,000)
Fund Balance - Beginning	<u>23</u>	<u>23</u>	<u>1,823</u>	<u>1,800</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (777)</u>	<u>\$ 23</u>	<u>\$ 800</u>

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

	AMBULANCE FUND			
	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
RECEIPTS				
Intergovernmental	\$ 10,000	\$ 10,000	\$	\$ (10,000)
Charges for Services	967,520	967,520	636,129	(331,391)
Miscellaneous	100	100	226	126
Interest	80	80	87	7
Total Receipts	<u>977,700</u>	<u>977,700</u>	<u>636,442</u>	<u>(341,258)</u>
DISBURSEMENTS				
Protection to Persons and Property	952,500	932,750	756,024	176,726
Administration	129,200	148,950	127,949	21,001
Total Disbursements	<u>1,081,700</u>	<u>1,081,700</u>	<u>883,973</u>	<u>197,727</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(104,000)</u>	<u>(104,000)</u>	<u>(247,531)</u>	<u>(143,531)</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			205,000	205,000
Total Other Adjustments to Cash (Uses)			<u>205,000</u>	<u>205,000</u>
Net Change in Fund Balance	(104,000)	(104,000)	(42,531)	61,469
Fund Balance - Beginning (Restated)	104,000	104,000	83,957	(20,043)
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 41,426</u>	<u>\$ 41,426</u>

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

ECONOMIC ASSISTANCE FUND				
	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
RECEIPTS				
Miscellaneous	\$	\$	\$ 7,901	\$ 7,901
Interest	1,500	1,500	708	(792)
Total Receipts	<u>1,500</u>	<u>1,500</u>	<u>8,609</u>	<u>7,109</u>
DISBURSEMENTS				
General Government		2,901	7,901	(5,000)
Administration	226,500	223,599		223,599
Total Disbursements	<u>226,500</u>	<u>226,500</u>	<u>7,901</u>	<u>218,599</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(225,000)</u>	<u>(225,000)</u>	<u>708</u>	<u>225,708</u>
Net Change in Fund Balance	(225,000)	(225,000)	708	225,708
Fund Balance - Beginning	<u>225,000</u>	<u>225,000</u>	<u>201,437</u>	<u>(23,563)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 202,145</u>	<u>\$ 202,145</u>

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

	911 FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 46,000	\$ 46,000	\$ 39,446	\$ (6,554)
Miscellaneous	100	9,479	9,485	6
Interest	2	2	16	14
Total Receipts	<u>46,102</u>	<u>55,481</u>	<u>48,947</u>	<u>(6,534)</u>
DISBURSEMENTS				
Protection to Persons and Property	220,924	232,303	224,837	7,466
Administration	40,700	38,700	33,862	4,838
Total Disbursements	<u>261,624</u>	<u>271,003</u>	<u>258,699</u>	<u>12,304</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(215,522)</u>	<u>(215,522)</u>	<u>(209,752)</u>	<u>5,770</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>205,522</u>	<u>205,522</u>	<u>209,500</u>	<u>3,978</u>
Total Other Adjustments to Cash (Uses)	<u>205,522</u>	<u>205,522</u>	<u>209,500</u>	<u>3,978</u>
Net Change in Fund Balance	(10,000)	(10,000)	(252)	9,748
Fund Balance - Beginning	<u>10,000</u>	<u>10,000</u>	<u>11,104</u>	<u>1,104</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 10,852</u>	<u>\$ 10,852</u>

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

	911 WIRELESS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 91,311	\$ (8,689)
Interest	5	5	10	5
Total Receipts	<u>100,005</u>	<u>100,005</u>	<u>91,321</u>	<u>(8,684)</u>
DISBURSEMENTS				
Protection to Persons and Property	7,500	7,500	1,935	5,565
Total Disbursements	<u>7,500</u>	<u>7,500</u>	<u>1,935</u>	<u>5,565</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other				
Adjustments to Cash (Uses)	<u>92,505</u>	<u>92,505</u>	<u>89,386</u>	<u>(3,119)</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	<u>(100,000)</u>	<u>(100,000)</u>	<u>(89,500)</u>	<u>10,500</u>
Total Other Adjustments to Cash (Uses)	<u>(100,000)</u>	<u>(100,000)</u>	<u>(89,500)</u>	<u>10,500</u>
Net Change in Fund Balance	(7,495)	(7,495)	(114)	7,381
Fund Balance - Beginning	<u>7,495</u>	<u>7,495</u>	<u>3,359</u>	<u>(4,136)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,245</u>	<u>\$ 3,245</u>

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

	TOURISM FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 28,000	\$ 28,000	\$ 35,996	\$ 7,996
Miscellaneous	100	100	2,280	2,180
Interest	15	15	115	100
Total Receipts	<u>28,115</u>	<u>28,115</u>	<u>38,391</u>	<u>10,276</u>
DISBURSEMENTS				
Recreation and Culture	59,580	59,580	36,496	23,084
Administration	50	50		50
Total Disbursements	<u>59,630</u>	<u>59,630</u>	<u>36,496</u>	<u>23,134</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(31,515)</u>	<u>(31,515)</u>	<u>1,895</u>	<u>33,410</u>
Net Change in Fund Balance	(31,515)	(31,515)	1,895	33,410
Fund Balance - Beginning	<u>31,515</u>	<u>31,515</u>	<u>78,304</u>	<u>46,789</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 80,199</u>	<u>\$ 80,199</u>

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

	AOC FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 23,000	\$ 23,000	\$ 22,659	\$ (341)
Interest	600	600	772	172
Total Receipts	<u>23,600</u>	<u>23,600</u>	<u>23,431</u>	<u>(169)</u>
DISBURSEMENTS				
General Government	123,600	123,600	25,834	97,766
Total Disbursements	<u>123,600</u>	<u>123,600</u>	<u>25,834</u>	<u>97,766</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)				
	<u>(100,000)</u>	<u>(100,000)</u>	<u>(2,403)</u>	<u>97,597</u>
Net Change in Fund Balance	(100,000)	(100,000)	(2,403)	97,597
Fund Balance - Beginning (Restated)	<u>100,000</u>	<u>100,000</u>	<u>228,543</u>	<u>128,543</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 226,140</u>	<u>\$ 226,140</u>

GALLATIN 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. Excess of Disbursements Over Appropriations

Disbursements exceeded budgeted appropriations in the following funds by the amounts indicated:

Road Fund - capital projects - \$485,000;

Local Government Economic Assistance Fund - protection to persons and property - \$90,930;

Economic Assistance Fund - general government - \$5,000.

GALLATIN COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2016

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GALLATIN 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 Improvements (Restated)	\$ 1,385,000	\$	\$	\$ 1,385,000
Buildings and Improvements (Restated)	4,674,885	3,600		4,678,485
Vehicles (Restated)	1,635,815	127,253	122,774	1,640,294
Other Equipment	874,483			874,483
Infrastructure (Restated)	4,244,287	750,094	813,912	4,180,469
 Total Capital Assets	 \$ 12,814,470	 \$ 880,947	 \$ 936,686	 \$ 12,758,731

GALLATIN 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 and Improvements	\$ 12,500	10-60
Buildings and Improvements	\$ 25,000	10-75
Vehicles	\$ 5,000	5-15
Equipment	\$ 5,000	3-25
Infrastructure	\$ 20,000	2-40

Note 2. Prior Period Adjustments

Land and Improvements were increased by \$70,000, Buildings and Improvements increased by \$232,197, Vehicles and Equipment increased by \$44,859, while Infrastructure was decreased by \$94,230, due to errors in the prior year.

**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 Ken McFarland, Gallatin County Judge/Executive
Members of the Gallatin 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 Gallatin County Fiscal Court for the fiscal year ended June 30, 2016 and the related notes to the financial statement which collectively comprise the Gallatin County Fiscal Court's financial statement and have issued our report thereon dated February 22, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



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

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Gallatin 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Respectfully submitted,

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

Mike Harmon
Auditor of Public Accounts

February 22, 2018

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

GALLATIN COUNTY FISCAL COURT

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

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CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
GALLATIN COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2016

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

A handwritten signature in blue ink, appearing to read "Ken McFarlane", is written over a horizontal line.

County Judge/Executive

A handwritten signature in blue ink, appearing to read "Lisa Burson", is written over a horizontal line.

County Treasurer