

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

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



**MIKE HARMON  
AUDITOR OF PUBLIC ACCOUNTS  
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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 David Westerfield, Laurel County Judge/Executive

Members of the Laurel 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 Laurel County Fiscal Court, for the year ended June 30, 2017, and the related notes to the financial statement which collectively comprise the Laurel 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 did not audit the financial statements of Laurel County Section 8 Housing Fund, an unbudgeted fund of the Laurel County Fiscal Court, which represent 4 percent of receipts and 3 percent of disbursements for the year ended June 30, 2017, or the Financial Commission for Appalachia HIDTA Fund, an unbudgeted fund of the Laurel County Fiscal Court, which represent 25 percent of receipts and 24 percent of disbursements for the year ended June 30, 2017. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Laurel County Section 8 Housing Fund and Financial Commission for Appalachia HIDTA Fund, is based solely on the report of the other auditors. We have applied audit procedures on the conversion adjustments to the financial statement of the Laurel County Fiscal Court, which conform the financial statement to accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

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.



To the People of Kentucky

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Members of the Laurel County Fiscal Court

### **Auditor's Responsibility (Continued)**

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.

### **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 Laurel 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 Laurel County Fiscal Court as of June 30, 2017, or changes in financial position or cash flows thereof for the year then ended.

### **Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statement referred to above presents fairly, in all material respects, the fund balances of the Laurel County Fiscal Court as of June 30, 2017, and their respective cash receipts and disbursements, and budgetary results for the year then ended, in accordance with the basis of accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

To the People of Kentucky

The Honorable Matthew G. Bevin, Governor

William M. Landrum III, Secretary

Finance and Administration Cabinet

The Honorable David Westerfield, Laurel County Judge/Executive

Members of the Laurel County Fiscal Court

## 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 Laurel 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.

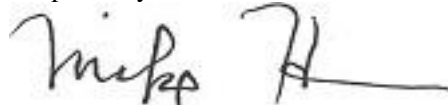
### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2018, on our consideration of the Laurel 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 Laurel County Fiscal Court's internal control over financial reporting and compliance.

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

- 2017-001 The Laurel County Fiscal Court Lacks Segregation Of Duties Over The Accounting Process
- 2017-002 The Laurel County Fiscal Court Did Not Have Sufficient Controls Over Capital Asset Listing Preparation
- 2017-003 The Laurel County Fiscal Court Has Not Adopted A Written Data Breach Policy
- 2017-004 The Laurel County Fiscal Court Did Not Properly Disclose Debt Information On The Quarterly Financial Report

Respectfully submitted,



Mike Harmon

Auditor of Public Accounts

March 28, 2018

**LAUREL COUNTY OFFICIALS****For The Year Ended June 30, 2017****Fiscal Court Members:**

David Westerfield	County Judge/Executive
Roy Crawford	Magistrate
Danny Smith	Magistrate
Teddy Bengé	Magistrate
Jeff Book	Magistrate
Billy Oakley	Magistrate
Richard Bales	Magistrate

**Other Elected Officials:**

Jodi L. Albright	County Attorney
Jamie Mosley	Jailer
Dean Johnson	County Clerk
Roger Schott	Circuit Court Clerk
John Root	Sheriff
Joyce Parker	Property Valuation Administrator
Doug Bowling	Coroner

**Appointed Personnel:**

Karen Montgomery	County Treasurer
Rick Brewer	Chief Financial Officer



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

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

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

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

	<b>Budgeted Funds</b>			<b>Local Government Economic Assistance Fund</b>
	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	
<b>RECEIPTS</b>				
Taxes	\$ 3,776,352	\$	\$	\$
Excess Fees	285,903			
Licenses and Permits	553,344			
Intergovernmental	1,926,170	2,814,836	2,850,279	93,008
Charges for Services	14,305		201,574	
Miscellaneous	567,865	63,892	225,345	
Interest	2,024	2,510	404	473
Total Receipts	<u>7,125,963</u>	<u>2,881,238</u>	<u>3,277,602</u>	<u>93,481</u>
<b>DISBURSEMENTS</b>				
General Government	3,061,731			
Protection to Persons and Property	2,798,622		4,064,476	
General Health and Sanitation	517,260			
Social Services	57,950			
Recreation and Culture	579,696			
Transportation Facility and Services	23,772			
Roads		2,965,492		136,818
Debt Service	1,457,162	40,605		
Capital Projects	2,338,176			
Administration	4,649,920	435,043	1,072,539	
Total Disbursements	<u>15,484,289</u>	<u>3,441,140</u>	<u>5,137,015</u>	<u>136,818</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(8,358,326)</u>	<u>(559,902)</u>	<u>(1,859,413)</u>	<u>(43,337)</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	8,315,430	827,696	1,853,818	
Transfers To Other Funds				
Total Other Adjustments to Cash (Uses)	<u>8,315,430</u>	<u>827,696</u>	<u>1,853,818</u>	
Net Change in Fund Balance	(42,896)	267,794	(5,595)	(43,337)
Fund Balance - Beginning (Restated)	943,878	19,948	231,583	403,859
Fund Balance - Ending	<u>\$ 900,982</u>	<u>\$ 287,742</u>	<u>\$ 225,988</u>	<u>\$ 360,522</u>
<b>Composition of Fund Balance</b>				
Bank Balance	\$ 401,247	\$ 291,005	\$ 248,146	\$ 360,522
Plus: Deposits In Transit				
Less: Outstanding Checks	(16,138)	(3,263)	(22,158)	
Certificates of Deposit	515,873			
Fund Balance - Ending	<u>\$ 900,982</u>	<u>\$ 287,742</u>	<u>\$ 225,988</u>	<u>\$ 360,522</u>

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

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

Budgeted Funds						
Federal Grant Fund	Forest Fire Fund	Occupational Tax Fund	Local Government Economic Development Fund	Chemical Stockpile Emergency Preparedness Program Fund	Economic Development Fund	LEPC Fund
\$	\$ 1,520	\$ 10,238,716	\$	\$	\$	\$
	132		11,594	435,430		1,598
	5	1,120	1		29,409	
	1,657	10,239,836	11,595	435,430	30,004	1,599
		539,175				
	3,339		11,594			544
		96,016				
	3,339	635,191	11,594			544
	(1,682)	9,604,645	1	435,430	30,004	1,055
	3,000	(10,514,514)		(435,430)		
	3,000	(10,514,514)		(435,430)		
	1,318	(909,869)	1		30,004	1,055
1	2,601	2,341,645	508	500	446,707	1,997
\$ 1	\$ 3,919	\$ 1,431,776	\$ 509	\$ 500	\$ 476,711	\$ 3,052
\$ 1	\$ 3,919	\$ 1,442,823	\$ 509	\$ 500	\$ 476,711	\$ 3,052
		(11,047)				
\$ 1	\$ 3,919	\$ 1,431,776	\$ 509	\$ 500	\$ 476,711	\$ 3,052

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

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

	<b>Unbudgeted Funds</b>		
	<b>Public Properties Corporation Bond Fund</b>	<b>Financial Commission For Appalachia HIDTA Fund</b>	<b>Laurel County, Kentucky, Public Properties Corporation Fund</b>
<b>RECEIPTS</b>			
Taxes	\$	\$	\$
Excess Fees			
Licenses and Permits			
Intergovernmental	2,172,674	9,201,202	
Charges for Services			
Miscellaneous			
Interest	35		
Total Receipts	<u>2,172,709</u>	<u>9,201,202</u>	
<b>DISBURSEMENTS</b>			
General Government			
Protection to Persons and Property		9,201,201	
General Health and Sanitation			
Social Services			
Recreation and Culture			
Transportation Facility and Services			
Roads			
Debt Service	2,170,474		
Capital Projects			
Administration	2,200		80
Total Disbursements	<u>2,172,674</u>	<u>9,201,201</u>	<u>80</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>35</u>	<u>1</u>	<u>(80)</u>
<b>Other Adjustments to Cash (Uses)</b>			
Transfers From Other Funds			
Transfers To Other Funds			
Total Other Adjustments to Cash (Uses)			
Net Change in Fund Balance	35	1	(80)
Fund Balance - Beginning (Restated)	4,938	5	80
Fund Balance - Ending	<u>\$ 4,973</u>	<u>\$ 6</u>	<u>\$</u>
<b>Composition of Fund Balance</b>			
Bank Balance	\$ 4,973	\$ 130,194	\$
Plus: Deposits In Transit		6,336	
Less: Outstanding Checks		(136,524)	
Certificates of Deposit			
Fund Balance - Ending	<u>\$ 4,973</u>	<u>\$ 6</u>	<u>\$</u>

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

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

<u>Unbudgeted Funds</u>		
<u>Jail</u>	<u>Laurel County</u>	<u>Total</u>
<u>Commissary</u>	<u>Section 8</u>	<u>Funds</u>
<u>Fund</u>	<u>Housing Fund</u>	
\$	\$	\$ 14,016,588
		285,903
		553,344
	1,318,837	20,825,628
322,948		538,959
		886,511
	187	7,355
<u>322,948</u>	<u>1,319,024</u>	<u>37,114,288</u>
		3,600,906
279,703		16,359,479
		517,260
	1,129,523	1,187,473
		579,696
		23,772
		3,102,310
		3,668,241
		2,338,176
	155,630	6,411,428
<u>279,703</u>	<u>1,285,153</u>	<u>37,788,741</u>
<u>43,245</u>	<u>33,871</u>	<u>(674,453)</u>
		10,999,944
<u>(50,000)</u>		<u>(10,999,944)</u>
<u>(50,000)</u>		
(6,755)	33,871	(674,453)
60,140	69,954	4,528,344
<u>\$ 53,385</u>	<u>\$ 103,825</u>	<u>\$ 3,853,891</u>
\$ 57,811	\$ 126,097	\$ 3,547,510
		6,336
(4,426)	(22,272)	(215,828)
		515,873
<u>\$ 53,385</u>	<u>\$ 103,825</u>	<u>\$ 3,853,891</u>

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

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**LAUREL COUNTY  
NOTES TO FINANCIAL STATEMENT**

**June 30, 2017**

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

**A. Reporting Entity**

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

Laurel Housing, 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 it is no longer a required component of the reporting entity. Audits of the entity can be obtained from the Laurel County Fiscal Court, 101 South Main Street, London, KY 40741.

**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.

**LAUREL COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2017**  
**(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, 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.

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

Forest Fire Fund - The primary purpose of this fund is to provide emergency fire protection to the forestry regions of the county. The primary source of receipts for this fund is local taxes collected by the sheriff.

Occupational Tax Fund - The primary purpose of this fund is to account for occupational taxes collected by the county.

Local Government Economic Development Fund - The primary purpose of this fund is to account for receipts from the state and federal governments for the purpose of economic development.

Chemical Stockpile Emergency Preparedness Program (CSEPP) Fund - The primary purpose of this fund is to account for the receipts and disbursements of the Chemical Stockpile Emergency Preparedness Program. These funds are received from the Department of Homeland Security and are to be used solely for the purpose of providing emergency preparedness in case of an accident involving the stockpile of chemical weapons at the Bluegrass Army Depot in Madison County. In no event shall these funds be used for expenses related to the administration of the government. The Department for Local Government requires fiscal court to maintain these receipts and disbursements separately from the general fund.

Economic Development Fund - The primary purpose of this fund is to account for the receipts and disbursements related to loans to local business for the purpose of economic development.

Local Emergency Planning Committee (LEPC) Fund - The primary purpose of this fund is to account for emergency planning expenses of the county. The primary source of receipts for this fund is state grants.

**Unbudgeted Funds**

The fiscal court reports the following unbudgeted funds:

Public Properties Corporation Bond Fund - The primary purpose of this fund is to account for debt service requirements of First Mortgage Revenue Bonds issued by the Laurel County, Kentucky Judicial Center Public Properties Corporation to fund construction of a judicial center.

Financial Commission For Appalachia HIDTA Fund - The primary purpose of this fund is to account for the receipts and disbursements for the Appalachia High Intensity Drug Trafficking Area (HIDTA) program. This program was created for specifically designated counties of Kentucky, Tennessee, and West Virginia. The program strives to provide new and intense efforts to reduce and eliminate the distribution, demand for, and growth of marijuana, as well as investigation and prosecution of those dealing in illegal drugs.



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

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

**C. Basis of Presentation (Continued)**

**Unbudgeted Funds (Continued)**

Laurel County, Kentucky, Public Properties Corporation Fund - This fund was established by the Laurel County Fiscal Court in 1961 to act as its agency and instrumentality of the county for the purpose of financing and refinancing the acquisition and construction of a nursing home and other facilities designed to meet the needs of the elderly.

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.

Laurel County Section 8 Housing Fund - The Laurel County Section 8 Housing Agency (Agency) was established by the Laurel County Fiscal Court to operate a Section 8 Housing Assistance Payments program. The Agency provides rental assistance to low income families under a contract with the U.S. Department of Housing and Urban Development. This fund is used to account for the receipts and disbursements of the Agency.

**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.

The state local finance officer does not require the Public Properties Corporation Bond Fund and Laurel County, Kentucky, Public Properties Corporation Fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually.

**E. Laurel County Elected Officials**

Kentucky law provides for election of the officials below from the geographic area constituting Laurel 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 Laurel County Fiscal Court.

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

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

**E. Laurel County Elected Officials (Continued)**

- 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.

**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, 2017, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

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

**Note 3. Transfers**

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

	Occupational Tax Fund	Chemical Stockpile Emergency Preparedness Program Fund	Jail Commissary	Total Transfers In
General Fund	\$ 7,880,000	\$ 435,430	\$	\$ 8,315,430
Road Fund	827,696			827,696
Jail Fund	1,803,818		50,000	1,853,818
Forest Fire Fund	3,000			3,000
Total Transfers Out	<u>\$ 10,514,514</u>	<u>\$ 435,430</u>	<u>\$ 50,000</u>	<u>\$ 10,999,944</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**

Agency 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, 2017, was \$60,198.

FSA/HRA Fund - This fund accounts for employee and employer contributions to reimburse employees for health care expenses. The flexible spending account balance as of June 30, 2017, was \$3,686.

**Note 5. Long-Term Receivable**

On July 19, 2004, the Laurel County Fiscal Court loaned Parkway Medical Associates \$360,000 from the economic development fund. The loan was for a period of 180 months at 4 percent interest with 180 equal monthly payments in the amount of \$2,674. As of June 30, 2017, records indicate that Parkway Medical Associates was in substantial compliance with the terms of the loan agreement. The principal balance due at June 30, 2017, was \$61,527. The current portion receivable within the next fiscal year is \$27,580.

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

**Note 6. Long-Term Debt**

**A. General Obligation Refunding Bonds, Series 2003, Refunded by General Obligation Refunding Bonds, Series 2012C**

The Laurel County Fiscal Court issued obligations of \$4,840,000 on March 1, 2003, and payable in 15 annual installments beginning June 1, 2004, and semi-annual interest payments on June 1 and December 1 at varying interest rates from 1 percent to 3.9 percent. The Laurel County Fiscal Court issued the bonds for the purpose of refunding the Series 1992 and 1993 bonds issued by Laurel County Courthouse Annex, Inc., purchasing road equipment, and paying the cost of issuance of the bonds. During fiscal year 2012, the Laurel County Fiscal Court issued General Obligation Refunding Bonds, Series 2012C. The Series 2012C bonds replaced the Series 2003 bonds. The Series 2012C bonds were payable in five annual installments beginning June 1, 2013, and semi-annual interest payments on June 1 and December 1 at varying interest rates of 1.25 percent to 2 percent. During fiscal year 2017, the bond was paid in full.

**B. General Obligation Improvement Bonds, Series 2004, Partially Refunded by General Obligation Improvement Bonds, Series 2012B and Series 2013B**

The Laurel County Fiscal Court issued obligations of \$6,110,000 on December 16, 2003, and payable in 20 annual installments beginning January 1, 2005, and semi-annual interest payments on July 1 and January 1 at varying interest rates from 3 percent to 4.25 percent. The Laurel County Fiscal Court issued the bonds for the purpose of financing the improvement and renovation of the courthouse, including reimbursing the fiscal court for cost associated therewith, capitalized interest for 18 months, and paying the cost of issuance of the bonds. During fiscal year 2012, the fiscal court issued General Obligation Refunding Bonds, Series 2012B, which replaced a portion of the Series 2004 bonds. As a result of the partial refunding, Series 2004 are payable in five annual installments beginning January 1, 2013 and semi-annual interest payments on July 1 and January 1 at varying interest rates from 3.40 percent to 3.85 percent. The Series 2012B bonds are payable in 13 annual installments beginning June 30, 2013, and semi-annual interest payments on December 1 and June 1. During fiscal year 2013, the fiscal court issued Refunding Bonds, Series 2013B, which replaced a portion of the Series 2004 bonds. As a result of the refunding, the Series 2004 bonds became payable in two semi-annual installments beginning July 1, 2013 with the second payment to be made in January 2014. Therefore, the Series 2004 bonds are paid in full. The Series 2013B bonds were payable in four annual installments beginning January 1, 2014 and semi-annual interest payments on July 1 and January 1 at an interest rate of 1 percent.

As of June 30, 2017, Series 2012B bonds outstanding were \$3,060,000. Future principal and interest payments are as follows:

Fiscal Year Ending		
June 30	Principal	Interest & Fees
2018	\$ 350,000	\$ 79,438
2019	360,000	72,000
2020	370,000	63,900
2021	375,000	55,575
2022	385,000	46,200
2023-2025	<u>1,220,000</u>	<u>72,963</u>
Totals	<u>\$ 3,060,000</u>	<u>\$ 390,076</u>

As of June 30, 2017, Series 2013B bonds were paid in full.

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

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

**C. First Mortgage Revenue Bonds, Series 2008, Partially Refunded by First Mortgage Revenue Bonds, Series 2015**

The Laurel County Public Properties Corporation (PPC), an agency and instrumentality of the Laurel County Fiscal Court, issued First Mortgage Revenue Bonds, Series 2008 for the purpose of construction of the Laurel County Judicial Center. On March 1, 2008, \$23,725,000 in bonds was issued at varying interest rates from 3.25 percent to 4.625 percent. Since the bonds were issued at a discount of \$474,500, net bond proceeds were \$23,250,500. The PPC has entered into an agreement to lease the Laurel County Judicial Center to the Laurel County Fiscal Court for the amount of the bond payments. The fiscal court has a sublease with the Administrative Office of the Courts (AOC), Commonwealth of Kentucky for approximately 100 percent of the Laurel County Judicial Center, whereby AOC makes semi-annual payments directly to the paying agent to fund the debt service for the bond issue. Principal payments are due annually on March 1 and interest payments are due semi-annually on March 1 and September 1. During fiscal year 2016, the PPC issued \$9,295,000 First Mortgage Refunding Revenue Bonds, Series 2015, which refunded a portion of the Series 2008 bonds. As a result of the partial refunding, the Series 2008 bonds are payable in seven installments beginning March 1, 2016, and semi-annual interest payments on March 1 and September 1 at varying interest rates from 4 percent to 4.5 percent. The Series 2015 bonds require principal payments beginning March 1, 2021, and semi-annual interest payments beginning March 1, 2016, and due semi-annually on March 1 and September 1 at varying interest rates from 2.1 percent to 5 percent.

As of June 30, 2017, Series 2008 bonds outstanding were \$6,060,000. Future principal and interest payments are as follows:

Fiscal Year Ending June 30	Principal	Interest & Fees
2018	\$ 1,115,000	\$ 254,268
2019	1,160,000	209,668
2020	1,210,000	163,268
2021	1,260,000	113,355
2022	1,315,000	59,175
Totals	<u>\$ 6,060,000</u>	<u>\$ 799,734</u>

As of June 30, 2017, Series 2015 outstanding bonds were \$9,295,000. Future principal and interest payments are as follows:

Fiscal Year Ending June 30	Principal	Interest & Fees
2018		\$ 379,350
2019		379,350
2020		379,350
2021	40,000	379,350
2022	40,000	378,510
2023-2027	7,480,000	1,240,600
2028	1,735,000	52,050
Totals	<u>\$ 9,295,000</u>	<u>\$ 3,188,560</u>

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

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

**D. KACoLT Lease - Infrastructure Activities**

In September 2005, the Laurel County Fiscal Court entered into a \$2,280,000, 20-year lease purchase agreement with the Kentucky Association of Counties Leasing Trust for the purpose of providing financing for the purchase of land adjacent to the Laurel County Detention Center, construction of roads, sewer and water lines for the Laurel County Economic Development Authority, and construction of water lines for the Wood Creek, East Laurel, West Laurel and Laurel #2 water districts. Interest related to the lease is payable on the 20th day of each month and principal payments are due on December 20 of each year. The lease bears interest at an average rate of 3.9 percent over the term of the agreement. The fiscal court may elect to pay interest annually at a discounted amount less than the sum of monthly payments. As of June 30, 2017, the principal balance was \$1,165,000. Future principal and interest payments are as follows:

Fiscal Year Ending June 30	Principal	Interest & Fees
2018	\$ 115,000	\$ 52,369
2019	120,000	46,873
2020	125,000	41,215
2021	125,000	35,380
2022	130,000	29,446
2023-2027	<u>550,000</u>	<u>55,236</u>
Totals	<u>\$ 1,165,000</u>	<u>\$ 260,519</u>

**E. Caterpillar Financial Services Lease**

In November 2013, the Laurel County Fiscal Court entered into an \$188,546, five year lease purchase agreement with Caterpillar Financial Services Corporation for the purpose of providing financing for the purchase of a 316EL Caterpillar Hydraulic Excavator. Payments are due on the 20th of each month. The lease bears interest at a rate of 2.95 percent over the term of the agreement. As of June 30, 2017, the principal balance was \$53,026. Future principal and interest payments are as follows:

Fiscal Year Ending June 30	Principal	Interest & Fees
2018	\$ 39,573	\$ 1,032
2019	<u>13,453</u>	<u>83</u>
Totals	<u>\$ 53,026</u>	<u>\$ 1,115</u>

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

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

**F. Cumberland Valley National Bank Lease**

In February 2016, the Laurel County Fiscal Court entered into a \$470,250 one year lease purchase agreement with Cumberland Valley National Bank for the purpose of providing financing for the purchase of land upon which the new Laurel County Detention Center will be constructed. Payment is due in one payment of principal and interest on February 22, 2017, at an amount equal to the principal amount of \$470,250 with interest at the bank's prime rate minus 1 percent floating daily. As of June 30, 2017, the lease purchase was paid in full.

**G. General Obligation Bonds Loaned To Component Unit - Laurel Housing, Inc. And Laurel County, Kentucky, Public Properties Corporation**

**Bonds Payable**

On June 12, 2003, the city of Ewing, Kentucky remarketed \$8,125,000 of tax-exempt bonds City of Ewing, Kentucky, Kentucky Area Development Districts Financing Trust Lease Acquisition Program Revenue Bonds, Fixed Rate, Series 2000AB. Effective with the issuance of the bonds, the bond proceeds were loaned to Laurel County, Kentucky, under a "General Obligation Lease Agreement" and simultaneously, Laurel County, Kentucky, loaned the bond proceeds to Laurel Housing, Inc. under a "Sublease Agreement." The bonds are general obligations of the Laurel County Fiscal Court and the proceeds were used to construct Village Heights, a thirty-four unit assisted living facility, purchase additional land, and to renovate Laurel Heights Home for the Elderly, a nursing facility.

Payments under the lease are equal to the debt service requirements due in accordance with the bond issue, and are paid directly to The Bank of New York to the account of the issuer. Interest payments are due on June 1 and December 1 of each year and principal payments are due annually on June 1. As general obligations of the Laurel County Fiscal Court, the full faith credit and taxing power of the fiscal court are irrevocably pledged as security for the payment of the bonds, and under the bond ordinance, the fiscal court pledges to apply the payments under the sublease with Laurel Housing, Inc. to the payment of the bonds. On June 1, 2013, proceeds from the April 25, 2012 issue, "Laurel County, Kentucky General Obligation Refunding Bonds, Series 2012A (Laurel Heights Project)" were used to redeem these bonds (Series 2000AB).

On July 23, 2004, the Laurel County Fiscal Court issued \$3,625,000 on tax-exempt bonds, "County of Laurel, Kentucky, General Obligation Improvement Bonds, Series 2004B (Laurel Housing, Inc. Project)." The bonds are general obligations of the Laurel County Fiscal Court, and the purpose of the bonds was to finance the improvements and renovation of Laurel Heights Home for the Elderly. Effective with the issuance of the bonds, the bond proceeds were transferred to Laurel Housing, Inc., which will use the funds for the improvements and renovation project. Revenues generated from Laurel Housing, Inc. will be equal to the debt service requirements in accordance with the bond issue, and will be paid directly to U.S. Bank to the account of the issuer. Interest payments are due on January 1 and July 1 of each year and principal payments are due annually on July 1. The improvements and renovations will serve as collateral for the bonds. Also, as general obligations of the fiscal court, the full faith credit and taxing power of the fiscal court are irrevocably pledged as security for the payment of the bonds, and under the bond ordinance, the fiscal court pledges to apply the revenues from Laurel Housing, Inc. to the payment of the bonds.

On April 3, 2013, "Laurel County, Kentucky General Obligation Refunding Bonds, Series 2013A (Laurel Heights Project)" were issued from which proceeds were used to redeem these bonds (Series 2004B), which were paid in full during fiscal year 2016.

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

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

**G. General Obligation Bonds Loaned To Component Unit - Laurel Housing, Inc. And Laurel County, Kentucky, Public Properties Corporation (Continued)**

**Bonds Payable (Continued)**

On August 1, 2006, the Laurel County Fiscal Court issued \$1,875,000 of tax-exempt bonds, "County of Laurel, Kentucky General Obligation Improvement Bonds, Series 2006 (Laurel Heights Project)." The bonds are general obligations of the Laurel County Fiscal Court, and the purpose of the bonds was to finance the improvements and renovations of Laurel Heights Home for the Elderly. Effective with the issuance of the bonds, the bond proceeds were transferred to Laurel Housing, Inc., which will use the funds for the improvements and renovation project. Revenues generated from Laurel Housing, Inc. will be equal to the debt service requirements in accordance with the bond issue, and will be paid directly to U.S. Bank to the account of the issuer. Interest payments are due on February 1 and August 1 of each year and principal payments are due annually on August 1. The improvements and renovations will serve as collateral for the bonds. Also, as general obligations of the fiscal court, the full faith credit and taxing power of the fiscal court are irrevocably pledged as security of the payment of the bonds, and under the bond ordinance, the fiscal court pledges to apply the revenues from Laurel Housing, Inc. to the payment of the bonds.

On April 3, 2013, "Laurel County, Kentucky General Obligation Refunding Bonds, Series 2013A (Laurel Heights Project)" were issued from which the proceeds of \$1,500,000 were used to fully redeem these bonds (Series 2006). As of June 30, 2017, the Series 2006 bonds have been paid in full.

On June 16, 2010, the Laurel County Fiscal Court issued \$5,345,000 of tax-exempt bonds "Laurel County, Kentucky General Obligation Refunding Improvement Bonds, Series 2010 (Laurel Heights Project)." The bonds are general obligation of the Laurel County Fiscal Court and the purpose of the bonds was to refinance the \$2,075,000 of tax-exempt bonds of the Laurel County Fiscal Court "County of Laurel, Kentucky General Obligation Refunding And Improvement Bonds, Series A of 1998 (Nursing Home Facilities Project)" and the \$4,515,000 of tax-exempt bonds of the Laurel County Fiscal Court "County of Laurel, Kentucky General Obligation Improvement Bonds, Series B of 1998 (Assisted Living Facilities Project)." Effective with the issuance of the bonds, the bond proceeds were transferred to Laurel Housing, Inc. to refinance the 1998 Series A and B bonds.

Revenues generated from Laurel Housing, Inc. will be equal to the debt service requirements due in accordance with the bond issue, and will be paid directly to U.S. Bank to the account of the issuer. Interest payments are due May 1 and November 1 each year and principal payments are due annually on November 1. The land, building, and any future improvements serve as collateral for the bonds. Also, as general obligations of the fiscal court, the full faith credit and taxing power of the fiscal court are irrevocably pledged as security for the payment of the bonds, and under the bond ordinance, fiscal court pledges to apply the revenues from Laurel Housing, Inc. to the payment of the bonds.

As of June 30, 2017, Series 2010 bonds outstanding were \$3,615,000. Future principal and interest payments are as follows:



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

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

**G. General Obligation Bonds Loaned To Component Unit - Laurel Housing, Inc. And Laurel County Kentucky Public Properties Corporation (Continued)**

**Bonds Payable (Continued)**

Fiscal Year Ending June 30	Principal	Interest & Fees
2018	\$ 280,000	\$ 121,181
2019	285,000	113,763
2020	295,000	105,419
2021	305,000	96,228
2022	315,000	86,344
2023-2027	1,745,000	251,988
2028	390,000	7,800
Totals	<u>\$ 3,615,000</u>	<u>\$ 782,723</u>

On April 25, 2012, the Laurel County Fiscal Court issued \$6,665,000 of tax-exempt bonds, "Laurel County, Kentucky General Obligation Refunding Bonds, Series 2012A (Laurel Heights Project)." The bonds are general obligations of the Laurel County Fiscal Court, and the purpose of the bonds was to refinance the City of Ewing, Kentucky, remarketed \$8,125,000 of tax-exempt bonds "City of Ewing, Kentucky, Kentucky Area Development Districts Financing Trust Lease Acquisition Program Revenue Bonds, Fixed Rate Series 2000AB." Effective with this bond issuance, the bond proceeds were transferred to Laurel Housing, Inc. to refinance the Series 2000AB bonds, which were paid in full on June 1, 2013.

Revenues generated from Laurel Housing, Inc. will be equal to the debt service requirements due in accordance with the bond issue and will be paid directly to U.S. Bank to the account of the issuer. Interest payments are due June 1 and December 1 of each year and principal payments are due annually on June 1, beginning June 1, 2015. The land, building, and any future improvements serve as collateral for the bonds. Also as general obligations of the Laurel County Fiscal Court, the full faith credit and taxing power of the fiscal court are irrevocably pledged as security for the payment of the bonds, and under the bond ordinance, the fiscal court pledges to apply the revenues from Laurel Housing, Inc. to the payment of the bonds.

The Series 2012A bonds were sold at a premium generating an additional \$161,264 in proceeds. The premium is amortized over the life of the bond using the effective interest rate. As of June 30, 2017, Series 2012A bonds outstanding were \$5,610,000. Future principal and interest payments are as follows:

Fiscal Year Ending June 30	Principal	Interest & Fees
2018	\$ 405,000	\$ 159,256
2019	415,000	151,156
2020	420,000	141,819
2021	435,000	131,319
2022	445,000	120,444
2023-2027	2,415,000	404,731
2028-2029	1,075,000	54,013
Totals	<u>\$ 5,610,000</u>	<u>\$ 1,162,738</u>

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

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

**G. General Obligation Bonds Loaned To Component Unit - Laurel Housing, Inc. And Laurel County Kentucky Public Properties Corporation (Continued)**

**Bonds Payable (Continued)**

On April 3, 2013, the Laurel County Fiscal Court issued \$4,910,000 of tax-exempt bonds, “Laurel County, Kentucky General Obligation Refunding Bonds, Series 2013A (Laurel Heights Project).” The bonds are general obligations of the Laurel County Fiscal Court, and the purpose of the bonds was to refinance the \$3,625,000 tax-exempt bonds “County of Laurel, Kentucky General Obligation Improvement Bonds, Series 2004B (Laurel Housing, Inc. Project)” and the \$1,875,000 of tax-exempt bonds “County of Laurel, Kentucky General Obligation Improvement Bonds, Series 2006 (Laurel Heights Project).” Effective with the issuance of the bonds, the bond proceeds were transferred to Laurel Housing, Inc. to refinance the Series 2004B and Series 2006 bonds. The Series 2004B bonds were paid in full during fiscal year 2016. As of June 30, 2017, the Series 2006 bonds were paid in full.

Revenues generated from Laurel Housing, Inc. will be equal to the debt service requirements due in accordance with the bond issue and will be paid directly to U.S. Bank to the account of the issuer. Interest payments are due January 1 and July 1 of each year and principal payments are due annually on January 1, beginning January 1, 2017. The land, building, and any future improvements serve as collateral for the bonds. Also, as general obligations of the Laurel County Fiscal Court, the full faith credit and taxing power of the fiscal court are irrevocably pledged as security for the payment of the bonds, and under the bond ordinance, the fiscal court pledges to apply the revenues from Laurel Housing, Inc. to the payment of the bonds.

As of June 30, 2017, Series 2013A bonds outstanding were \$4,835,000. Future principal and interest payments are as follows:

Fiscal Year Ending June 30	Principal	Interest & Fees
2018	\$ 210,000	\$ 134,656
2019	220,000	130,456
2020	220,000	126,056
2021	225,000	121,656
2022	230,000	117,156
2023-2027	1,210,000	505,019
2028-2032	1,365,000	326,594
2033-2037	1,155,000	99,638
Totals	<u>\$ 4,835,000</u>	<u>\$ 1,561,231</u>

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

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

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

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	\$ 3,775,000	\$	\$ 715,000	\$ 3,060,000	\$ 350,000
Revenue Bonds	16,430,000		1,075,000	15,355,000	1,115,000
Financing Obligations	1,841,700		623,674	1,218,026	154,573
Total Long-term Debt	<u>\$ 22,046,700</u>	<u>\$</u>	<u>\$ 2,413,674</u>	<u>\$ 19,633,026</u>	<u>\$ 1,619,573</u>

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	\$ 14,845,000	\$	\$ 785,000	\$ 14,060,000	\$ 895,000
Total Long-term Debt	<u>\$ 14,845,000</u>	<u>\$</u>	<u>\$ 785,000</u>	<u>\$ 14,060,000</u>	<u>\$ 895,000</u>

**Note 7. Commitments**

The Financial Commission for Appalachia HIDTA (Commission) has entered into various lease agreements for facilities and office equipment. For the year ended June 30, 2017, the Commission incurred lease expenditures in the amount of \$253,244. These leases vary in original length from 36 months to 60 months. The continuance of the leases is contingent upon the availability of grant revenue. The leases are cancelable by the lessee if grant funding ceases. Following is a summary of future minimum lease payments assuming grant funding continues.

Fiscal Year Ending June 30	Principal
2018	\$ 81,925
2019	157,016
2020	156,782
2021	<u>78,040</u>
Totals	<u>\$ 473,763</u>

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

**Note 8. Employee Retirement System**

**A. Plan Description**

The fiscal court has elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which is administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). This is a cost-sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute.

The county's contribution for FY 2015 was \$1,189,524, FY 2016 was \$1,131,859, and FY 2017 was \$1,189,174.

Nonhazardous

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008, are required to contribute 6 percent of their salary to be allocated as follows: 5 percent will go to the member's account and 1 percent will go to the KRS insurance fund.

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 accounts. Nonhazardous covered employees contribute 5 percent of their annual creditable compensation. Nonhazardous members also contribute 1 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 KRS Board of Directors 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 4 percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

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.

The county's contribution rate for nonhazardous employees was 18.68 percent.

Hazardous

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008, are required to contribute 9 percent of their salary to be allocated as follows: 8 percent will go to the member's account and 1 percent will go to the KRS insurance fund.

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.

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

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

Hazardous (Continued)

Members in the plan contribute a set percentage of their salary each month to their own accounts. Hazardous members contribute 8 percent of their annual creditable compensation and also contribute 1 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 hazardous member's account is credited with a 7.5 percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008, aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

The county's contribution rate for hazardous employees was 31.06 percent.

Health Insurance Coverage

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:

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

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

Hazardous employees whose participation began on or after July 1, 2003, earn 15 dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, the employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

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

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

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

Health Insurance Coverage (Continued)

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 9. Deferred Compensation**

On May 20, 1994, the Laurel 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 10. Health Reimbursement Account/Flexible Spending Account**

The Laurel County Fiscal Court has provided their full time employees with a Health Savings Account or Flexible Savings Account since January 2010. The Health Savings Account for fiscal year 2017 was approved to be funded at a rate of \$1,200 annually per employee. The Health Savings Account was funded on a monthly basis and is allowed to roll over into the next fiscal year. Full time employees who do not qualify for the Health Savings Account were provided a Flexible Spending Account at a rate of \$1,200 annually. The individual balances at the end of the insurance year do not roll over into the next fiscal year. The Flexible Spending Accounts are funded annually at the start of the insurance year. Employees are allowed to withhold additional funds for either plan which is deposited into their account each pay period.

**Note 11. Insurance**

For the fiscal year ended June 30, 2017, the Laurel 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.

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

**Note 12. Subsequent Events**

On July 5, 2017, the Laurel County Fiscal Court issued \$24,155,000 General Obligation Bonds, Series 2017A for the purpose of financing the cost of acquisition, development, and construction of a detention facility. Semiannual interest payments at a variable rate from 2.2 percent to 3.6 percent are due on May 1 and November 1 of each year. Principal is due annually on May 1, beginning May 1, 2026. The bonds mature in 2042.

On July 5, 2017, the Laurel County Fiscal Court issued \$3,210,000 General Obligation Taxable Bond, Series 2017B for the purpose of financing the cost of acquisition, development, and construction of a detention facility. Semiannual interest payments at a rate of 3.24 percent are due on May 1 and November 1 of each year, beginning on November 1, 2017. Principal is due annually on May 1, beginning May 1, 2020. The bonds mature in 2026.

**Note 13. Conduit Debt**

From time to time the county has issued bonds to provide financial assistance to Waste Management of Kentucky, LLC for the purpose of financing the cost of improving the Laurel Ridge Landfill, a solid waste disposal facility owned by Waste Management of Kentucky, LLC. 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 Laurel 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.

**Note 14. Prior Period Adjustments**

The prior year beginning balances have been restated as follows:

The general fund beginning balance was increased \$10,357 to include prior year voided checks and an audit adjustment to agree to prior year surplus amount.

The jail fund beginning balance was increased \$8,925 to include prior year voided checks.

The occupational tax fund beginning balance was increased \$301 to include prior year voided checks.

The jail commissary fund beginning balance was increased by \$1,126 to include a prior year voided check.

The Laurel County, Kentucky, public properties corporation fund beginning balance was increased by \$80 to account for a prior year error.

The public properties corporation bond fund beginning balance was increased by \$4,231 to account for a prior year error.

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

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

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

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

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 3,623,749	\$ 3,695,749	\$ 3,776,352	\$ 80,603
Excess Fees	94,600	284,600	285,903	1,303
Licenses and Permits	498,500	498,500	553,344	54,844
Intergovernmental	1,728,550	1,955,550	1,926,170	(29,380)
Charges for Services	9,000	9,000	14,305	5,305
Miscellaneous	1,050,000	1,073,000	567,865	(505,135)
Interest	1,600	1,600	2,024	424
Total Receipts	<u>7,005,999</u>	<u>7,517,999</u>	<u>7,125,963</u>	<u>(392,036)</u>
<b>DISBURSEMENTS</b>				
General Government	3,073,736	3,187,645	3,061,731	125,914
Protection to Persons and Property	3,300,132	2,971,565	2,798,622	172,943
General Health and Sanitation	357,024	538,072	517,260	20,812
Social Services	61,000	61,950	57,950	4,000
Recreation and Culture	540,500	579,697	579,696	1
Transportation Facilities and Services	18,700	24,124	23,772	352
Debt Service	1,461,255	1,457,255	1,457,162	93
Capital Projects	1,200,000	2,359,601	2,338,176	21,425
Administration	4,632,816	4,677,254	4,649,920	27,334
Total Disbursements	<u>14,645,163</u>	<u>15,857,163</u>	<u>15,484,289</u>	<u>372,874</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(7,639,164)</u>	<u>(8,339,164)</u>	<u>(8,358,326)</u>	<u>(19,162)</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	7,439,164	7,439,164	8,315,430	876,266
Total Other Adjustments to Cash (Uses)	<u>7,439,164</u>	<u>7,439,164</u>	<u>8,315,430</u>	<u>876,266</u>
Net Change in Fund Balance	(200,000)	(900,000)	(42,896)	857,104
Fund Balance - Beginning (Restated)	<u>200,000</u>	<u>900,000</u>	<u>943,878</u>	<u>43,878</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 900,982</u>	<u>\$ 900,982</u>

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

	<b>ROAD FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 130,000	\$ 130,000	\$	\$ (130,000)
Intergovernmental	2,243,739	2,724,739	2,814,836	90,097
Miscellaneous		62,000	63,892	1,892
Interest	1,500	1,500	2,510	1,010
Total Receipts	<u>2,375,239</u>	<u>2,918,239</u>	<u>2,881,238</u>	<u>(37,001)</u>
<b>DISBURSEMENTS</b>				
Roads	2,679,435	3,176,257	2,965,492	210,765
Debt Service		40,605	40,605	
Administration	523,500	548,073	435,043	113,030
Total Disbursements	<u>3,202,935</u>	<u>3,764,935</u>	<u>3,441,140</u>	<u>323,795</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(827,696)</u>	<u>(846,696)</u>	<u>(559,902)</u>	<u>286,794</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	827,696	827,696	827,696	
Total Other Adjustments to Cash (Uses)	<u>827,696</u>	<u>827,696</u>	<u>827,696</u>	
Net Change in Fund Balance		(19,000)	267,794	286,794
Fund Balance - Beginning		19,000	19,948	948
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 287,742</u>	<u>\$ 287,742</u>

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

	<b>JAIL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 2,704,000	\$ 2,744,000	\$ 2,850,279	\$ 106,279
Charges for Services	235,000	235,000	201,574	(33,426)
Miscellaneous	151,000	191,000	225,345	34,345
Interest	100	100	404	304
Total Receipts	<u>3,090,100</u>	<u>3,170,100</u>	<u>3,277,602</u>	<u>107,502</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	3,766,918	4,114,755	4,064,476	50,279
Administration	1,127,000	1,079,163	1,072,539	6,624
Total Disbursements	<u>4,893,918</u>	<u>5,193,918</u>	<u>5,137,015</u>	<u>56,903</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,803,818)</u>	<u>(2,023,818)</u>	<u>(1,859,413)</u>	<u>164,405</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	1,803,818	1,803,818	1,853,818	50,000
Total Other Adjustments to Cash (Uses)	<u>1,803,818</u>	<u>1,803,818</u>	<u>1,853,818</u>	<u>50,000</u>
Net Change in Fund Balance		(220,000)	(5,595)	214,405
Fund Balance - Beginning (Restated)		<u>220,000</u>	<u>231,583</u>	<u>11,583</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 225,988</u>	<u>\$ 225,988</u>

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

**LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 50,000	\$ 50,000	\$ 93,008	\$ 43,008
Interest	50	50	473	423
Total Receipts	<u>50,050</u>	<u>50,050</u>	<u>93,481</u>	<u>43,431</u>
<b>DISBURSEMENTS</b>				
Roads		136,818	136,818	
Administration	250,050	113,232		113,232
Total Disbursements	<u>250,050</u>	<u>250,050</u>	<u>136,818</u>	<u>113,232</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(200,000)</u>	<u>(200,000)</u>	<u>(43,337)</u>	<u>156,663</u>
Net Change in Fund Balance	(200,000)	(200,000)	(43,337)	156,663
Fund Balance - Beginning	<u>200,000</u>	<u>200,000</u>	<u>403,859</u>	<u>203,859</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 360,522</u>	<u>\$ 360,522</u>

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

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

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

	<b>FOREST FIRE FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 1,250	\$ 1,250	\$ 1,520	\$ 270
Charges for Services			132	132
Interest	1	1	5	4
Total Receipts	<u>1,251</u>	<u>1,251</u>	<u>1,657</u>	<u>406</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	3,400	3,400	3,339	61
Administration	3,351	3,351		3,351
Total Disbursements	<u>6,751</u>	<u>6,751</u>	<u>3,339</u>	<u>3,412</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(5,500)</u>	<u>(5,500)</u>	<u>(1,682)</u>	<u>3,818</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	3,000	3,000	3,000	
Total Other Adjustments to Cash (Uses)	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>	
Net Change in Fund Balance	(2,500)	(2,500)	1,318	3,818
Fund Balance - Beginning	<u>2,500</u>	<u>2,500</u>	<u>2,601</u>	<u>101</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,919</u>	<u>\$ 3,919</u>



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

	<b>OCCUPATIONAL TAX FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 8,500,000	\$ 8,500,000	\$ 10,238,716	\$ 1,738,716
Interest	700	700	1,120	420
Total Receipts	<u>8,500,700</u>	<u>8,500,700</u>	<u>10,239,836</u>	<u>1,739,136</u>
<b>DISBURSEMENTS</b>				
General Government	530,422	561,405	539,175	22,230
Administration	96,600	115,617	96,016	19,601
Total Disbursements	<u>627,022</u>	<u>677,022</u>	<u>635,191</u>	<u>41,831</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>7,873,678</u>	<u>7,823,678</u>	<u>9,604,645</u>	<u>1,780,967</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds	<u>(10,073,678)</u>	<u>(10,073,678)</u>	<u>(10,514,514)</u>	<u>(440,836)</u>
Total Other Adjustments to Cash (Uses)	<u>(10,073,678)</u>	<u>(10,073,678)</u>	<u>(10,514,514)</u>	<u>(440,836)</u>
Net Change in Fund Balance	(2,200,000)	(2,250,000)	(909,869)	1,340,131
Fund Balance - Beginning (Restated)	<u>2,200,000</u>	<u>2,250,000</u>	<u>2,341,645</u>	<u>91,645</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,431,776</u>	<u>\$ 1,431,776</u>

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

**LOCAL GOVERNMENT ECONOMIC DEVELOPMENT FUND**

	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>RECEIPTS</b>				
Intergovernmental	\$ 12,648	\$ 12,648	\$ 11,594	\$ (1,054)
Interest	3	3	1	(2)
Total Receipts	<u>12,651</u>	<u>12,651</u>	<u>11,595</u>	<u>(1,056)</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	12,648	12,648	11,594	1,054
Administration	503	503		503
Total Disbursements	<u>13,151</u>	<u>13,151</u>	<u>11,594</u>	<u>1,557</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(500)</u>	<u>(500)</u>	<u>1</u>	<u>501</u>
Net Change in Fund Balance	(500)	(500)	1	501
Fund Balance - Beginning	<u>500</u>	<u>500</u>	<u>508</u>	<u>8</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 509</u>	<u>\$ 509</u>

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

**CHEMICAL STOCKPILE EMERGENCY PREPAREDNESS PROGRAM FUND**

	<u>Budgeted Amounts</u>		<u>Actual Amounts, (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>RECEIPTS</b>				
Intergovernmental	\$ 1,000,000	\$ 1,000,000	\$ 435,430	\$ (564,570)
Total Receipts	<u>1,000,000</u>	<u>1,000,000</u>	<u>435,430</u>	<u>(564,570)</u>
<b>DISBURSEMENTS</b>				
Administration	<u>1,000,000</u>	<u>1,000,000</u>		<u>1,000,000</u>
Total Disbursements	<u>1,000,000</u>	<u>1,000,000</u>		<u>1,000,000</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			<u>435,430</u>	<u>435,430</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds			<u>(435,430)</u>	<u>(435,430)</u>
Total Other Adjustments to Cash (Uses)			<u>(435,430)</u>	<u>(435,430)</u>
Net Change in Fund Balance				
Fund Balance - Beginning			<u>500</u>	<u>500</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 500</u>	<u>\$ 500</u>

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

<b>ECONOMIC DEVELOPMENT FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Miscellaneous	\$ 32,082	\$ 32,082	\$ 29,409	\$ (2,673)
Interest	60	60	595	535
Total Receipts	<u>32,142</u>	<u>32,142</u>	<u>30,004</u>	<u>(2,138)</u>
<b>DISBURSEMENTS</b>				
General Government	171,142	171,142		171,142
Administration	1,000	1,000		1,000
Total Disbursements	<u>172,142</u>	<u>172,142</u>		<u>172,142</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(140,000)</u>	<u>(140,000)</u>	<u>30,004</u>	<u>170,004</u>
Net Change in Fund Balance	(140,000)	(140,000)	30,004	170,004
Fund Balance - Beginning	<u>140,000</u>	<u>140,000</u>	<u>446,707</u>	<u>306,707</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 476,711</u>	<u>\$ 476,711</u>

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

	<b>LEPC FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 1,499	\$ 1,499	\$ 1,598	\$ 99
Interest	1	1	1	
Total Receipts	<u>1,500</u>	<u>1,500</u>	<u>1,599</u>	<u>99</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	2,500	2,500	544	1,956
Administration	500	500		500
Total Disbursements	<u>3,000</u>	<u>3,000</u>	<u>544</u>	<u>2,456</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,500)</u>	<u>(1,500)</u>	<u>1,055</u>	<u>2,555</u>
Net Change in Fund Balance	(1,500)	(1,500)	1,055	2,555
Fund Balance - Beginning	<u>1,500</u>	<u>1,500</u>	<u>1,997</u>	<u>497</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,052</u>	<u>\$ 3,052</u>

**LAUREL COUNTY  
NOTES TO REGULATORY SUPPLEMENTARY  
INFORMATION - BUDGETARY COMPARISON SCHEDULES**

**June 30, 2017**

**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.

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

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

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

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

The fiscal court reports the following Schedule of Capital Assets:

	(*Restated)			
	Beginning Balance	Additions	Deletions	Ending Balance
Land*	\$ 4,873,373	\$	\$ 65,750	\$ 4,807,623
Construction In Progress	799,616	1,755,638		2,555,254
Buildings	37,041,387	78,383		37,119,770
Vehicles	3,565,737	63,768	229,100	3,400,405
Machinery and Equipment*	3,421,797	213,369	53,213	3,581,953
Infrastructure	111,951,587	2,217,218		114,168,805
<b>Total Capital Assets</b>	<b>\$ 161,653,497</b>	<b>\$ 4,328,376</b>	<b>\$ 348,063</b>	<b>\$ 165,633,810</b>

The Laurel County, Kentucky Public Properties Corporation reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 245,549	\$	\$	\$ 245,549
Buildings and Improvements	2,884,034			2,884,034
Moveable Equipment	129,430			129,430
<b>Total Capital Assets</b>	<b>\$ 3,259,013</b>	<b>\$</b>	<b>\$</b>	<b>\$ 3,259,013</b>

The Laurel County Section 8 Housing reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 65,000	\$	\$	\$ 65,000
Buildings	156,432			156,432
Equipment	33,417			33,417
Site Improvements	14,116			14,116
<b>Total Capital Assets</b>	<b>\$ 268,965</b>	<b>\$</b>	<b>\$</b>	<b>\$ 268,965</b>

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

**June 30, 2017**

**Note 1. Capital Assets**

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

	Capitalization Threshold	Useful Life (Years)
Land	\$ 25,000	Unlimited
Buildings	25,000	15-50
Building Improvements	25,000	1-25
Leasehold Improvements	1	Determine by lease term
Machinery & Equipment	5,000	5-15
Vehicles	5,000	1-5
Infrastructure	25,000	10-50

The Laurel County, Kentucky Public Properties Corporation utilizes the following capitalization policy:

	Capitalization Threshold	Useful Life (Years)
Buildings and Improvements	\$ 500	5-40
Fixed Equipment	500	5-20
Movable Equipment	500	3-20

The Laurel County Section 8 Housing Agency utilizes the following capitalization policy:

	Capitalization Threshold	Useful Life (Years)
Buildings and Site Improvements	\$ 1,000	40
Furniture & Equipment	1,000	5-10

**Note 2: Prior Period Adjustments**

The following adjustments were made to the fiscal court's capital asset beginning balances:

Land beginning balance was increased by \$539,169 due to land not included in prior year.

Machinery and equipment beginning balance was increased by \$100,877 due to equipment not included in prior year.

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

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

The Honorable David Westerfield, Laurel County Judge/Executive  
Members of the Laurel 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 Laurel County Fiscal Court for the fiscal year ended June 30, 2017, and the related notes to the financial statement which collectively comprise the Laurel County Fiscal Court's financial statement and have issued our report thereon dated March 28, 2018.

**Internal Control Over Financial Reporting**

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2017-002 to be a material weakness.



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

**Internal Control Over Financial Reporting (Continued)**

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2017-001 to be a significant deficiency.

**Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the Laurel 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 2017-002, 2017-003, and 2017-004.

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

Laurel County's views and planned corrective action for 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

March 28, 2018

**LAUREL COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES**

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

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**LAUREL COUNTY**  
**SCHEDULE OF FINDINGS AND RESPONSES**

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

FINANCIAL STATEMENT FINDINGS:

2017-001 The Laurel County Fiscal Court Lacks Segregation of Duties Over The Accounting Process

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The Laurel County Fiscal Court lacks adequate segregation of duties over receipts, disbursements, and the reconciliation process. The county treasurer prepares deposits, creates the claims list, prints and signs disbursements, posts to the receipts and disbursements ledgers, and also prepares the monthly bank reconciliation. The fiscal court has implemented some compensating controls, such as having the front desk receptionist open the mail and prepare a receipts listing of all monies received through the mail. Also, the county judge/executive's executive assistant receives the claims list from the county treasurer and compares the listing to the invoices. She initials the claims list evidencing her review. The claims list is then presented to fiscal court, who approves. Once approved, the disbursements are printed by the county treasurer and signed by the county judge/executive and the county treasurer. Monthly bank reconciliations are prepared by the county treasurer and a Certified Public Accounting (CPA) firm. However, the county treasurer is the only one reviewing the monthly bank reconciliation prepared by the CPA firm. Although the fiscal court has some compensating controls in place, they are not enough to override the lack of segregation of duties. However, the condition is reduced to a significant deficiency. The fiscal court has some compensating controls in place but has areas where improvement is needed.

A lack of segregation of duties increases the risk of misappropriation of assets, errors, and inaccurate financial reporting.

Adequate segregation of duties would prevent the same person from having a significant role in these incompatible functions. In addition, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

We recommend the fiscal court strengthen internal controls by segregating duties over the accounting process. If segregation is not possible, strong oversight should be implemented. We recommend the receipts listing be compared to the daily deposit, the claims listing be compared to the disbursements prior to signing the disbursements, and the monthly bank reconciliation be reviewed by another employee. The employee providing this oversight should document his or her review by initialing all source documentation.

Views of Responsible Official and Planned Corrective Action:

*The County Judge Executive administrative assistant not only compares the claims list to the invoices, but also reviews the check register to the claims list and invoices. The check register is printed from the computer system after the checks are printed and reflects the same information as the check.*

*We will implement the recommendations immediately. Either the County Judge Executive administrative assistant, the finance officer or the assistant payroll clerk will review the daily deposits and the bank reconciliation. We will review the check along with the check register.*

Auditor's Reply:

Reviewing and comparing the check register to the claims list is a good compensating control, but is still not sufficient to mitigate the lack of segregation of duties noted in the finding.

**LAUREL COUNTY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**For The Year Ended June 30, 2017**  
**(Continued)**

FINANCIAL STATEMENT FINDINGS (Continued):

2017-002 The Laurel County Fiscal Court Did Not Have Sufficient Controls Over Capital Asset Listing Preparation (Continued)

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This is a repeat finding and was included in the prior year report as finding 2016-001. The Laurel County Fiscal Court did not accurately maintain a capital assets listing. Upon review of the receipts and disbursements ledgers, a total of \$86,643 in equipment, \$1,755,638 construction in progress (new detention center), and \$2,217,218 in infrastructure additions were not included on the capital asset schedule that should have been. In addition, no evidence was found that a physical inventory of the fiscal court's capital assets had been completed. Also, items sold during a surplus auction could not be matched to the capital asset listing for the item. The fiscal court lacks adequate controls over reporting of capital assets. Physical inventory controls have not been established to maintain accurate listing of equipment.

By not maintaining an accurate list of capital assets, assets could be improperly stated, increasing the risk of material misstatement to the capital asset schedule. The fiscal court cannot properly determine insurance needs without proper documentation being maintained.

KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. The Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual* states that capital asset records are necessary for proper asset valuation, adequate and accurate insurance coverage, internal control, and long range planning for property replacement. It further states fixed asset records should include a description of the asset, historical cost, date of acquisition, date of disposal, and proceeds from sale or disposal of assets.

We recommend fiscal court maintain a complete and accurate capital asset schedule to comply with the Department for Local Government requirements. Policies should be implemented that will identify and track additions and deletions for the purpose of the capital asset schedule and required insurance coverage. In addition, the fiscal court should complete a physical inventory at least yearly to ensure all assets meeting the fiscal court's capitalization policy threshold are included.

Views of Responsible Official and Planned Corrective Action:

*The CPA firm that prepares the listing did not make adequate changes to reflect what was sent to them. Also, the codes on the asset listing shows the assets that were disposed of by surplus but did not include all information as needed.*

*The insurance agent reviews the asset listing and updates the information yearly. If he doesn't locate an asset or finds an asset not on his list, he contacts us to verify that the asset should or should not be listed. We feel confident that all the assets are covered under an insurance policy.*

*Administration will do an annual physical inventory of all assets to verify that the list is complete. Also, administration will review documentation to assure schedule complies with dlq requirements.*

2017-003 The Laurel County Fiscal Court Has Not Adopted A Written Data Breach Policy

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The Laurel County Fiscal Court has not adopted a personal information security and data breach investigation policy as required by KRS 61.932 and Department for Local Government policy DLG-PPI 100. During the course of the audit, the fiscal court experienced a data breach. The prior CPA firm mailed to the APA the fiscal

**LAUREL COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES  
For The Year Ended June 30, 2017  
(Continued)**

FINANCIAL STATEMENT FINDINGS (Continued):

2017-003 The Laurel County Fiscal Court Has Not Adopted A Written Data Breach Policy (Continued)

year 2016 audit documentation and the flash drive was lost during mailing. Included on the flash drive in the prior year work papers were social security numbers of the county judge/executive and the jailer. The data breach was not reported by the fiscal court, as required by KRS 61.932. Due to lack of management's knowledge of requirements per statute, the fiscal court has not yet approved a data breach policy.

The Laurel County Fiscal Court is not in compliance with KRS 61.932 or DLG-PPI 100. In addition, the fiscal court did not have a proper level of protection for sensitive personal information. Due to the fiscal court not having a policy, the fiscal court did not handle the data breach in accordance with DLG's policy.

KRS 61.932(1)(a) states, "[a]n agency. . .that maintains or otherwise possesses personal information, regardless of the form in which the personal information is maintained shall implement, maintain, and update security procedures and practices, including taking any appropriate corrective action, to protect and safeguard against security breaches."

KRS 61.932(1)(b) states, "[r]easonable security and breach investigation procedures and practices established and implemented by units of government listed under KRS 61.931(1)(b) and (c) that are not organizational units of the executive branch of state government shall be in accordance with policies established by the Department for Local Government."

In accordance with KRS 61.932 the Department for Local Government (DLG) has issued Policy Number: DLG-PPI 100 which states, "[t]he purpose of this policy is to provide guidance to Local Governmental Units ("LGUs") to minimize the risk of disclosing personal information and setting practical guidelines for effectively responding to security incidents. LGUs are encouraged to tailor this policy to meet their own specific security and operational requirements. Having a policy is important because it promotes consistent response procedures to make sure appropriate actions are taken. This policy sets forth the procedures and practices pursuant to KRS 61.932 for LGUs to follow in order to:

- 1) Identify vulnerabilities;
- 2) Eliminate or mitigate those vulnerabilities;
- 3) Recognize when an incident has occurred;
- 4) Notify appropriate personnel in the event of an incident;
- 5) Respond to information security threats; and
- 6) Recognize events that require special handling due to their potential impact or special reporting due to legal or other concerns."

In addition, this policy requires LGUs to enact appropriate measures to protect information stored on media, both digital and non-digital, during the entire term of its use, until its destruction.

We recommend the Laurel County Fiscal Court develop and implement a data breach policy and procedure to ensure compliance with KRS 61.932 and DLG-PPI 100.

Views of Responsible Official and Planned Corrective Action:

*We have introduced and have had a first reading of such a policy in our March 2018 regular fiscal court meeting. We expect second reading and approval to happen in the April 2018 regular fiscal court meeting.*

**LAUREL COUNTY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**For The Year Ended June 30, 2017**  
**(Continued)**

FINANCIAL STATEMENT FINDINGS (Continued):

2017-004 The Laurel County Fiscal Court Did Not Properly Disclose Debt Information On The Quarterly Financial Report

---

Required debt information was not properly disclosed in the liabilities section of the quarterly financial report that is required to be submitted to the state local finance officer upon submission of the fiscal court's proposed budget and quarterly financial report.

The Public Properties Corporations (PPC) First Mortgage Revenue Bonds, Series 2008 and First Mortgage Revenue Bonds, Series 2015 were not disclosed in the liabilities section of the quarterly financial report. The outstanding principal balances as of June 30, 2017, were \$6,060,000 and \$9,295,000 respectively.

Laurel Housing, Inc. General Obligation Improvement Bonds, Series 2006, General Obligation Refunding Improvement Bonds, Series 2010, General Obligation Refunding Bonds, Series 2012A and General Obligation Refunding Bonds, Series 2013A were not disclosed in the liabilities section of the quarterly financial report. The outstanding principal balances as of June 30, 2017, were as follows: Series 2010 \$3,615,000, Series 2012A \$5,610,000, and Series 2013A \$4,835,000. The Series 2006 bond was paid in full during fiscal year 2017.

The liabilities section of the quarterly financial report is not accurate since it is prepared based on the information maintained in the accounting system. The PPC bond obligations and Laurel Housing, Inc. bond obligations are not reported in the accounting system therefore, they are not reported on the quarterly financial report.

By omitting liabilities of the fiscal court, the state local finance officer did not see the accurate financial position of the fiscal court. The principal balance reported for the general obligations and revenue bonds was understated on the quarterly financial report by \$29,415,000 and the interest balance was understated by \$7,331,349.

Since the Department for Local Government (DLG) and the fiscal court rely on the quarterly financial report to make decisions regarding new debt and other financial decisions, it is important the quarterly financial report be accurate and complete. The quarterly financial report is a cumulative report and is prepared on a regulatory basis by the county judge/executive and county treasurer pursuant to KRS 68.210. KRS 68.210 states, "[t]he administration of the county uniform budget system shall be under the supervision of the state local finance officer who may inspect and shall supervise the administration of accounts and financial operations and shall prescribe. . . a uniform system of accounts[.]" This uniform system of accounts, as outlined in the *County Budget Preparation and State Local Finance Officer Policy Manual*, requires the budget section of the fourth quarter financial report to be utilized for reporting all current long-term debt, including public corporation, general obligation bonds, Government Leasing Act issues, and Bond Anticipation notes.

We recommend the fiscal court ensure all debt information is disclosed and reported accurately in the liabilities section of the quarterly financial report.

Views of Responsible Official and Planned Corrective Action:

*This action wasn't reported and was a repeat violation because it hasn't been required to be listed in the past and the prior year audit wasn't completed in time for us to correct the issue. The state local finance officer was aware of this debt even though it wasn't listed on our report. Though we do not agree that these should be listed, we will list the debt on a quarterly financial report begin [sic] with the 4<sup>th</sup> quarter of fy 2018.*

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

**LAUREL COUNTY FISCAL COURT**

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

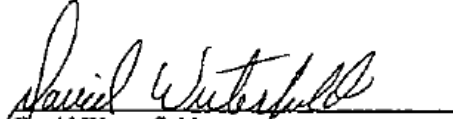
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CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAM  
LAUREL COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2017

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

  
David Westerfield  
County Judge/Executive

  
Karen Montgomery  
County Treasurer