

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

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



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

June 30, 2015

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

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

Financial Condition:

The Logan County Fiscal Court had total receipts of \$13,122,532 and disbursements of \$13,033,187 in fiscal year 2015. This resulted in a total ending fund balance of \$7,690,445, which is an increase of \$89,345 from the prior year.

Report Comments:

- 2015-001 The Logan County Jail Did Not Have Sufficient Internal Controls Or Maintain Proper Records For The Jail Commissary Fund
- 2015-002 Proper Documentation Was Not Maintained For Jail Commissary Fund Disbursements

Deposits:

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

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Matthew G. Bevin, Governor
William M. Landrum III, Secretary
Finance and Administration Cabinet
Honorable Logan Chick, Logan County Judge/Executive
Members of the Logan 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 Logan County Fiscal Court, for the year ended June 30, 2015, and the related notes to the financial statement which collectively comprise the Logan County Fiscal Court's financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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



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

As described more fully in Note 1, the financial statement is prepared by the Logan 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 Logan County Fiscal Court as of June 30, 2015, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the fund balances of the Logan County Fiscal Court as of June 30, 2015, and its cash receipts and disbursements, for the year then ended, in accordance with the basis of accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of the Logan County Fiscal Court. The budgetary comparison schedules and capital asset schedule are presented for purposes of additional analysis and are not a required part of the financial statement, however they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

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

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2016 on our consideration of the Logan 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 Logan County Fiscal Court's internal control over financial reporting and compliance.

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

- 2015-001 The Logan County Jail Did Not Have Sufficient Internal Controls Or Maintain Proper Records For The Jail Commissary Fund
- 2015-002 Proper Documentation Was Not Maintained For Jail Commissary Fund Disbursements

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

October 6, 2016

LOGAN COUNTY OFFICIALS

For The Year Ended June 30, 2015

Fiscal Court Members:

Logan Chick	County Judge/Executive
Russell Poore	Magistrate (July 1, 2014 through January 4, 2015)
Dickie Carter	Magistrate (January 5, 2015 through June 30, 2015)
Jack Crossley	Magistrate
Barry Wright	Magistrate
Drexel Johnson	Magistrate
Jo Orange	Magistrate
Thomas Bouldin	Magistrate

Other Elected Officials:

Joe Ross	County Attorney
Jim Ray	Jailer (July 1, 2014 through November 17, 2014)
Phil Gregory	Jailer (November 18, 2014 through June 30, 2015)
Scottie Harper	County Clerk
Sherry Wilkins	Circuit Court Clerk
Wallace Whittaker	Sheriff
Ben Brown	Property Valuation Administrator
Mary Givens	Coroner

Appointed Personnel:

Elaine Jenkins	County Treasurer
Karen Taylor	Finance Officer
Brenda Morrison	Personnel/Payroll Officer
Paul Lyne	Road Supervisor
Sue Carol Marshall	Occupational Tax Administrator

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

For The Year Ended June 30, 2015

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

For The Year Ended June 30, 2015

	<u>Budgeted Funds</u>		
	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>
RECEIPTS			
Taxes	\$ 2,175,745	\$	\$
In Lieu Tax Payments	331,617		
Licenses and Permits	33,690		
Intergovernmental	1,837,196	2,265,066	778,464
Charges for Services			28,742
Miscellaneous	102,944	4,842	84,780
Interest			
Total Receipts	<u>4,481,192</u>	<u>2,269,908</u>	<u>891,986</u>
DISBURSEMENTS			
General Government	3,513,448	332	
Protection to Persons and Property	677,406		1,571,834
General Health and Sanitation	300		
Social Services			
Recreation and Culture	36,188		
Roads		2,118,943	
Airports			
Capital Projects		145,874	
Administration	584,991	195,496	374,829
Total Disbursements	<u>4,812,333</u>	<u>2,460,645</u>	<u>1,946,663</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(331,141)</u>	<u>(190,737)</u>	<u>(1,054,677)</u>
Other Adjustments to Cash (Uses)			
Transfers From Other Funds	480,000		1,410,000
Transfers To Other Funds			(317,490)
Total Other Adjustments to Cash (Uses)	<u>480,000</u>		<u>1,092,510</u>
Net Change in Fund Balance	148,859	(190,737)	37,833
Fund Balance - Beginning (Restated)	695,521	334,981	43,383
Fund Balance - Ending	<u>\$ 844,380</u>	<u>\$ 144,244</u>	<u>\$ 81,216</u>
Composition of Fund Balance			
Bank Balance	\$ 857,699	\$ 145,333	\$ 85,143
Plus: Deposits In Transit			
Less: Outstanding Checks	(13,319)	(1,089)	(3,927)
Investments			
Fund Balance - Ending	<u>\$ 844,380</u>	<u>\$ 144,244</u>	<u>\$ 81,216</u>

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

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

Budgeted Funds					
Local Government Economic Assistance Fund	Solid Waste Fund	Occupational Tax Fund	Lifeskills Fund	911 Fund	Special Reserve Fund
\$	\$	\$ 3,104,262	\$	\$ 303,416	\$
	680,249				
89,169	54,862				
675					
1,000	32,418			87	
					4,047
<u>90,844</u>	<u>767,529</u>	<u>3,104,262</u>		<u>303,503</u>	<u>4,047</u>
1,108,000		91,676		504,983	
90,775	175,519				
24,725					
65,085					
19,000					
1,060					
	35,588	19,782		180,316	
<u>1,308,645</u>	<u>211,107</u>	<u>111,458</u>		<u>685,299</u>	
(1,217,801)	556,422	2,992,804		(381,796)	4,047
1,220,000				401,000	
	(647,460)	(2,863,540)			
<u>1,220,000</u>	<u>(647,460)</u>	<u>(2,863,540)</u>		<u>401,000</u>	
2,199	(91,038)	129,264		19,204	4,047
4,105	1,047,884	1,220,047	152,842	22,520	3,670,604
<u>\$ 6,304</u>	<u>\$ 956,846</u>	<u>\$ 1,349,311</u>	<u>\$ 152,842</u>	<u>\$ 41,724</u>	<u>\$ 3,674,651</u>
\$ 6,304	\$ 957,608	\$ 1,353,647	\$ 152,842	\$ 43,093	\$ 3,674,651
	(762)	(4,336)		(1,369)	
<u>\$ 6,304</u>	<u>\$ 956,846</u>	<u>\$ 1,349,311</u>	<u>\$ 152,842</u>	<u>\$ 41,724</u>	<u>\$ 3,674,651</u>

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

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

	<u>Unbudgeted Funds</u>			<u>Total Funds</u>
	<u>Public Properties Corporation Detention Center Fund</u>	<u>Public Properties Corporation Justice Center Fund</u>	<u>Jail Commissary Fund</u>	
RECEIPTS				
Taxes	\$	\$	\$	\$ 5,583,423
In Lieu Tax Payments				331,617
Licenses and Permits				713,939
Intergovernmental		1,037,913		6,062,670
Charges for Services				29,417
Miscellaneous			159,160	385,231
Interest	12,188			16,235
Total Receipts	<u>12,188</u>	<u>1,037,913</u>	<u>159,160</u>	<u>13,122,532</u>
DISBURSEMENTS				
General Government		1,070,924		5,784,380
Protection to Persons and Property	327,825			3,082,048
General Health and Sanitation				266,594
Social Services				24,725
Recreation and Culture			98,288	199,561
Roads				2,118,943
Airports				19,000
Capital Projects				146,934
Administration				1,391,002
Total Disbursements	<u>327,825</u>	<u>1,070,924</u>	<u>98,288</u>	<u>13,033,187</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(315,637)</u>	<u>(33,011)</u>	<u>60,872</u>	<u>89,345</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	317,490			3,828,490
Transfers To Other Funds				(3,828,490)
Total Other Adjustments to Cash (Uses)	<u>317,490</u>			
Net Change in Fund Balance	1,853	(33,011)	60,872	89,345
Fund Balance - Beginning (Restated)	<u>347,408</u>	<u>33,011</u>	<u>28,794</u>	<u>7,601,100</u>
Fund Balance - Ending	<u>\$ 349,261</u>	<u>\$ 0</u>	<u>\$ 89,666</u>	<u>\$ 7,690,445</u>
Composition of Fund Balance				
Bank Balance	\$ 13,504	\$	\$ 90,518	\$ 7,380,342
Deposits In Transit			3,445	3,445
Less: Outstanding Checks			(4,297)	(29,099)
Investments	<u>335,757</u>			<u>335,757</u>
Ending Fund Balance	<u>\$ 349,261</u>	<u>\$ 0</u>	<u>\$ 89,666</u>	<u>\$ 7,690,445</u>

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

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LOGAN COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2015

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

The following entity: Logan County Tourist and Convention Commission would have been included in the reporting entity under accounting principles generally accepted in the United State of America (GAAP) as established by the Government Accounting Standards Board. However under the regulatory basis they are no longer are required components of the reporting entity.

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 Government Accounting Standards Board. This basis of accounting involves the reporting of fund balances and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) to meet the financial reporting requirements of the Department for Local Government and the laws of the Commonwealth of Kentucky.

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

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

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

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

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of receipts for this fund are reimbursements from the state and federal government and transfers from the occupational tax 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 provide economic assistance to public aspects of safety, law enforcement, environmental protection, and economic development. The primary sources of receipts for this fund are mineral severance tax from the state and transfers from the occupational tax fund.

Solid Waste Fund - The primary purpose of this fund is to account for solid waste management receipts and related disbursements. The primary source of receipts for this fund is the off-site waste management fees.

Occupational Tax Fund - The primary purpose of this fund is to account for occupational and net profit taxes. The primary source of receipts for this fund are taxes collected for occupational license fees and net profit tax. These receipts are transferred to other funds as needed.

Lifeskills Fund - The primary purpose of this fund is to account for the proceeds of specific revenue sources and related disbursements that are legally restricted for specific purposes. These funds were received as a repayment of a revolving loan connected to a federal grant. Under the grant agreement, these funds must be used for community or economic development activities.

911 Fund - The primary purpose of this fund is to account for the dispatch expenses of the county. The primary sources of receipts for this fund are the 911 telephone and wireless surcharges and transfers from the Occupational Tax Fund.

Special Reserve Fund - The primary purpose of this fund is to account for special revenue sources and related disbursements. The primary source of receipts for this fund is interest earned.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

Public Properties Corporation Detention Center Fund - The purpose of this fund is to account for debt service requirements of the revenue refunding bonds issued to advance refund revenue bonds that funded the construction of the detention center. The Department for Local Government does not require the fiscal court to report or budget this fund.

Public Properties Corporation Justice Center Fund - The primary purpose of this fund is to account for the proceeds and debt service of revenue bonds that were issued to fund construction of the justice center. The Department for Local Government does not require the fiscal court to report or budget this fund.

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Unbudgeted Funds (Continued)

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

D. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board and according to the laws of Kentucky as required by the State Local Finance Officer.

The county judge/executive is required to submit estimated receipts and proposed 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 detention center fund and public properties corporation justice center fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from these funds annually.

E. Logan County Elected Officials

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

G. Long-term Obligations

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

Note 2. Deposits and Investments

A. Deposits

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

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 66.480(1)(d) and KRS 41.240. As of June 30, 2015, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

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

Note 2. Deposits and Investments (Continued)

B. Investments

As of June 30, 2015, the fiscal court had the following investments and maturities:

Type	Cost Basis	Maturities (In Years)	
		Less Than 1	1-5
Cash Equivalents	\$ 7,341,184	\$ 7,341,184	\$
U.S. Treasury Mutual Funds	13,504	13,504	
Investments - U.S. Agencies Bonds	335,757		335,757
Total Fund Balance	<u>\$ 7,690,445</u>	<u>\$ 7,354,688</u>	<u>\$ 335,757</u>

Custodial Credit Risk is the risk that, in the event of failure of the counterparty, the fiscal court will not be able to recover the value of its certificates of deposit, investments or collateral securities that are in the possession of an outside party. The fiscal court's investment policy requires counterparties to provide sufficient collateral or other insurance if any investments or deposits exceed the insurance provided by Federal Deposit Insurance Corporation (FDIC) and the Securities Investor Protection Corporation (SIPC). All certificates of deposit and investments must be held by the counterparty in the fiscal court's name. The fiscal court has \$335,757 of investments in securities held by the counterparties' trust departments in the fiscal court's name. The SIPC provides up to \$500,000 coverage for securities and cash (limit of \$250,000 for cash) per client.

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

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

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

Note 2. Deposits and Investments (Continued)

B. Investments (Continued)

Credit Risk (Continued)

However, the fiscal court's investment policy only allows investments in categories 1, 2, 3, 4, and 8. In addition, the fiscal court is limited to investing no more than 20% in categories 5, 6, 7, 9, and 10 above per state statute. As of June 30, 2015, the fiscal court does not have any investments in these categories.

The fiscal court's investments, as of June 30, 2015, are all in U.S. agencies which carry the explicit guarantee of the U.S. government.

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

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

Foreign Currency Risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The fiscal court's policy historically has been to invest only in securities in U.S. denominations.

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2015.

	<u>Jail Fund</u>	<u>Solid Waste Fund</u>	<u>Occupational Tax Fund</u>	<u>Total Transfers In</u>
General Fund	\$	\$	\$ 480,000	\$ 480,000
Jail Fund			1,410,000	1,410,000
LGEA Fund		647,460	572,540	1,220,000
911 Fund			401,000	401,000
Public Properties Corporation				
Detention Center Fund	<u>317,490</u>			<u>317,490</u>
Total Transfers Out	<u>\$ 317,490</u>	<u>\$ 647,460</u>	<u>\$ 2,863,540</u>	<u>\$ 3,828,490</u>

Reason for transfers:

To move resources from and to the occupational tax fund and other funds, for budgetary purposes, to the funds that will expend them.

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

Note 4. Long-term Debt

A. First Mortgage Revenue Bonds (Justice Center Project), Series 2008

On March 1, 2008, Logan County Public Properties Corporation issued First Mortgage Revenue Bonds (Justice Center Project), Series 2008, to provide funding for the construction of the Logan County Judicial Center. The total bond issue was in the amount of \$14,775,000, with interest rates varying between 2.50% and 4.25%. Interest is payable on February 1 and August 1 of each year. Principal is payable annually on February 1. Logan County Fiscal Court entered into a lease agreement with Kentucky Administrative Office of the Courts in order to provide funding to meet annual debt service requirements. Total principal balance outstanding as of June 30, 2015 was \$10,655,000. Future principal and interest requirements are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2016	\$ 650,000	\$ 419,194
2017	675,000	398,069
2018	695,000	374,444
2019	720,000	350,118
2020	750,000	323,119
2021-2025	4,215,000	1,141,394
2026-2028	2,960,000	251,138
Totals	\$ 10,665,000	\$ 3,257,476

B. First Mortgage Revenue Refunding Bonds (Detention Facilities Project), Series 2010

On March 4, 2010, Logan County Public Properties Corporation issued First Mortgage Revenue Refunding Bonds (Detention Facilities Project), Series 2010, to refund the First Mortgage Revenue Bonds (Detention Facility Project), Series 1998. The total bond issue was in the amount of \$3,835,000, with interest rates varying between 2% and 4%. Interest is payable on March 1 and September 1 of each year. Principal is payable annually on September 1. Total principal balance outstanding as of June 30, 2015 was \$2,755,000. Future principal and interest requirements are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2016	\$ 230,000	\$ 97,700
2017	240,000	91,225
2018	245,000	83,644
2019	255,000	75,200
2020	265,000	65,769
2021-2025	1,520,000	157,000
Totals	\$ 2,755,000	\$ 570,538

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

Note 4. Long-term Debt (Continued)

C. Changes In Long-term Debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds	\$ 14,275,000	\$	\$ 855,000	\$ 13,420,000	\$ 880,000
Total Long-term Debt	<u>\$ 14,275,000</u>	<u>\$ 0</u>	<u>\$ 855,000</u>	<u>\$ 13,420,000</u>	<u>\$ 880,000</u>

Note 5. Commitments and Contingencies

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

Note 6. Employee Retirement System

A. Plan Description

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

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

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on, or after, January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Members contribute five percent (nonhazardous) of their annual creditable compensation and one percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a four percent (nonhazardous) employer pay credit. The employer pay credit represents a portion of the employer contribution.

The county's contribution for FY 2013 was \$635,932, FY 2014 was \$634,284, and FY 2015 was \$577,588.

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

Note 6. Employee Retirement System (Continued)

A. Plan Description (Continued)

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

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

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

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

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.

Kentucky Retirement Systems 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.

B. Net Pension Liability

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

	<u>June 30, 2014</u>	<u>June 30, 2015</u>
Non-Hazardous	\$ 5,266,000	\$ 4,653,680

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

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

Note 7. Deferred Compensation

On June 13, 2000, the Logan County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

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

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

Note 8. Health Reimbursement Account/Flexible Spending Account

The Logan County Fiscal Court has established a health reimbursement account (HRA) and a flexible spending account (FSA) to provide employees an additional health benefit. The fiscal court has contracted with Febco. Inc., a third-party administrator, to administer the plans. The fiscal court contributes \$2,000 each year to an HRA for employees who chose employee only plans and \$4,000 each year to an HRA for employees with spouse, child, or family plans. The fiscal court contributes \$200 per month or \$2,400 each year to an HRA for employees who chose to waive health insurance. Employees may also contribute additional funds to an FSA through payroll deduction. Each eligible employee is provided a debit card to pay for qualified medical expenses from the HRA or FSA. As of June 30, 2015, HRA funds of \$101,609 and FSA funds of \$13,490 were in the payroll revolving account.

Note 9. Insurance

For the fiscal year ended June 30, 2015, Logan County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 10. Subsequent Events

On March 9, 2016, the principal balance outstanding on the First Mortgage Revenue Bonds (Justice Center Project), Series 2008, was \$10,015,000. The Logan County Public Properties Corporation (PPC) advance refunded \$7,175,000 of this principal balance by issuing \$7,595,000 First Mortgage Refunding Revenue Bonds (Justice Center Project), Series 2016. Future debt service payments for the advance refunded bonds will be paid from escrow funds on behalf of the PPC from the escrow account funded by the series 2016 bonds. The advance refunded bonds will be called on February 1, 2018. The non-refunded portion of the series 2008 bonds of \$2,840,000 will be paid by the PPC. The non-refunded portion of the series 2008 bonds have interest rates from 3.50% through 4%. The final maturity of the non-refunded portion of the series 2008 bonds is February 1, 2020.

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

Note 11. Conduit Debt

From time to time the fiscal court has issued bonds to provide financial assistance to private corporations for the improvement, construction and equipping of solid waste facilities deemed to be in the public interest, in accordance with KRS 103.210. This debt may take the form of certain types of limited-obligation revenue bonds, certificates of participation, or similar debt instruments. Although conduit debt obligations bear the Logan 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. As of June 30, 2015, Solid Waste Disposal Revenue Bonds, Series 2003, were outstanding, with a principal amount payable of \$7,450,000.

Note 12. Prior Period Adjustments

The county treasurer and the jailer voided prior year checks. The voided prior year checks resulted in an increase to the beginning balance of the jail fund of \$157 and the jail commissary fund of \$297.

LOGAN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2015

LOGAN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2015

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 1,872,300	\$ 1,872,300	\$ 2,175,745	\$ 303,445
In Lieu Tax Payments	164,468	164,468	331,617	167,149
Licenses and Permits	24,492	24,492	33,690	9,198
Intergovernmental	1,748,399	2,195,311	1,837,196	(358,115)
Miscellaneous	23,200	88,181	102,944	14,763
Total Receipts	<u>3,832,859</u>	<u>4,344,752</u>	<u>4,481,192</u>	<u>136,440</u>
DISBURSEMENTS				
General Government	3,803,515	3,899,771	3,513,448	386,323
Protection to Persons and Property	659,061	725,786	677,406	48,380
General Health and Sanitation	300	300	300	
Recreation and Culture	45,000	428,471	36,188	392,283
Capital Projects	96,803	96,803		96,803
Administration	651,909	611,814	584,991	26,823
Total Disbursements	<u>5,256,588</u>	<u>5,762,945</u>	<u>4,812,333</u>	<u>950,612</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,423,729)</u>	<u>(1,418,193)</u>	<u>(331,141)</u>	<u>1,087,052</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>829,729</u>	<u>829,729</u>	<u>480,000</u>	<u>(349,729)</u>
Total Other Adjustments to Cash (Uses)	<u>829,729</u>	<u>829,729</u>	<u>480,000</u>	<u>(349,729)</u>
Net Change in Fund Balance	(594,000)	(588,464)	148,859	737,323
Fund Balance Beginning	<u>594,000</u>	<u>594,000</u>	<u>695,521</u>	<u>101,521</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 5,536</u>	<u>\$ 844,380</u>	<u>\$ 838,844</u>

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

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 2,377,550	\$ 2,377,550	\$ 2,265,066	\$ (112,484)
Miscellaneous	1,000	4,103	4,842	739
Total Receipts	<u>2,378,550</u>	<u>2,381,653</u>	<u>2,269,908</u>	<u>(111,745)</u>
DISBURSEMENTS				
General Government	500	500	332	168
Roads	2,212,305	2,355,821	2,118,943	236,878
Capital Projects	285,000	150,874	145,874	5,000
Administration	244,035	241,073	195,496	45,577
Total Disbursements	<u>2,741,840</u>	<u>2,748,268</u>	<u>2,460,645</u>	<u>287,623</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(363,290)</u>	<u>(366,615)</u>	<u>(190,737)</u>	<u>175,878</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	28,890	28,890		(28,890)
Total Other Adjustments to Cash (Uses)	<u>28,890</u>	<u>28,890</u>		<u>(28,890)</u>
Net Change in Fund Balance	(334,400)	(337,725)	(190,737)	146,988
Fund Balance Beginning	<u>334,400</u>	<u>334,400</u>	<u>334,981</u>	<u>581</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (3,325)</u>	<u>\$ 144,244</u>	<u>\$ 147,569</u>

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

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 514,609	\$ 579,609	\$ 778,464	\$ 198,855
Charges for Services	32,450	32,450	28,742	(3,708)
Miscellaneous	78,350	78,350	84,780	6,430
Total Receipts	<u>625,409</u>	<u>690,409</u>	<u>891,986</u>	<u>201,577</u>
DISBURSEMENTS				
Protection to Persons and Property	1,502,911	1,600,323	1,571,834	28,489
Debt Service	317,490			
Administration	446,519	418,296	374,829	43,467
Total Disbursements	<u>2,266,920</u>	<u>2,018,619</u>	<u>1,946,663</u>	<u>71,956</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,641,511)</u>	<u>(1,328,210)</u>	<u>(1,054,677)</u>	<u>273,533</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,601,511	1,601,511	1,410,000	(191,511)
Transfers To Other Funds		(317,490)	(317,490)	
Total Other Adjustments to Cash (Uses)	<u>1,601,511</u>	<u>1,284,021</u>	<u>1,092,510</u>	<u>(191,511)</u>
Net Change in Fund Balance	(40,000)	(44,189)	37,833	82,022
Fund Balance Beginning (Restated)	40,000	40,000	43,383	3,383
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (4,189)</u>	<u>\$ 81,216</u>	<u>\$ 85,405</u>

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

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 72,000	\$ 72,000	\$ 89,169	\$ 17,169
Charges for Services	500	500	675	175
Miscellaneous			1,000	1,000
Total Receipts	<u>72,500</u>	<u>72,500</u>	<u>90,844</u>	<u>18,344</u>
DISBURSEMENTS				
General Government	183,000	1,108,000	1,108,000	
General Health and Sanitation	93,000	93,000	90,775	2,225
Social Services	28,150	28,150	24,725	3,425
Recreation and Culture	67,041	67,182	65,085	2,097
Airports	19,000	19,000	19,000	
Administration	12,098	11,957	1,060	10,897
Total Disbursements	<u>402,289</u>	<u>1,327,289</u>	<u>1,308,645</u>	<u>18,644</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(329,789)</u>	<u>(1,254,789)</u>	<u>(1,217,801)</u>	<u>36,988</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>325,644</u>	<u>325,644</u>	<u>1,220,000</u>	<u>894,356</u>
Total Other Adjustments to Cash (Uses)	<u>325,644</u>	<u>325,644</u>	<u>1,220,000</u>	<u>894,356</u>
Net Change in Fund Balance	(4,145)	(929,145)	2,199	931,344
Fund Balance Beginning	<u>4,145</u>	<u>4,145</u>	<u>4,105</u>	<u>(40)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (925,000)</u>	<u>\$ 6,304</u>	<u>\$ 931,304</u>

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

	SOLID WASTE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
License and Permits	\$ 250,000	\$ 250,000	\$ 680,249	\$ 430,249
Intergovernmental	43,134	47,134	54,862	7,728
Miscellaneous	50,800	50,800	32,418	(18,382)
Total Receipts	<u>343,934</u>	<u>347,934</u>	<u>767,529</u>	<u>419,595</u>
DISBURSEMENTS				
General Health and Sanitation	233,117	237,803	175,519	62,284
Administration	710,817	60,693	35,588	25,105
Total Disbursements	<u>943,934</u>	<u>298,496</u>	<u>211,107</u>	<u>87,389</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(600,000)</u>	<u>49,438</u>	<u>556,422</u>	<u>506,984</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds			(647,460)	(647,460)
Total Other Adjustments to Cash (Uses)			<u>(647,460)</u>	<u>(647,460)</u>
Net Change in Fund Balance	(600,000)	49,438	(91,038)	(140,476)
Fund Balance Beginning	<u>600,000</u>	<u>600,000</u>	<u>1,047,884</u>	<u>447,884</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 649,438</u>	<u>\$ 956,846</u>	<u>\$ 307,408</u>

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

OCCUPATIONAL TAX FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 2,595,000	\$ 2,595,000	\$ 3,104,262	\$ 509,262
Total Receipts	<u>2,595,000</u>	<u>2,595,000</u>	<u>3,104,262</u>	<u>509,262</u>
DISBURSEMENTS				
General Government	107,398	107,323	91,676	15,647
Administration	376,335	98,870	19,782	79,088
Total Disbursements	<u>483,733</u>	<u>206,193</u>	<u>111,458</u>	<u>94,735</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>2,111,267</u>	<u>2,388,807</u>	<u>2,992,804</u>	<u>603,997</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	<u>(3,251,267)</u>	<u>(3,251,267)</u>	<u>(2,863,540)</u>	<u>387,727</u>
Total Other Adjustments to Cash (Uses)	<u>(3,251,267)</u>	<u>(3,251,267)</u>	<u>(2,863,540)</u>	<u>387,727</u>
Net Change in Fund Balance	(1,140,000)	(862,460)	129,264	991,724
Fund Balance Beginning	<u>1,140,000</u>	<u>1,140,000</u>	<u>1,220,047</u>	<u>80,047</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 277,540</u>	<u>\$ 1,349,311</u>	<u>\$ 1,071,771</u>

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

LIFESKILLS FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Total Receipts	\$	\$	\$	\$
DISBURSEMENTS				
General Government	152,843	152,843		152,843
Total Disbursements	152,843	152,843		152,843
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(152,843)	(152,843)		152,843
Other Adjustments to Cash (Uses)				
Total Other Adjustments to Cash (Uses)				
Net Change in Fund Balance	(152,843)	(152,843)		152,843
Fund Balance Beginning	152,843	152,843	152,842	(1)
Fund Balance - Ending	\$ 0	\$ 0	\$ 152,842	\$ 152,842

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

	911 FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 318,000	\$ 318,000	\$ 303,416	\$ (14,584)
Miscellaneous	200	200	87	(113)
Total Receipts	<u>318,200</u>	<u>318,200</u>	<u>303,503</u>	<u>(14,697)</u>
DISBURSEMENTS				
Protection to Persons and Property	573,759	585,995	504,983	81,012
Administration	229,934	217,698	180,316	37,382
Total Disbursements	<u>803,693</u>	<u>803,693</u>	<u>685,299</u>	<u>118,394</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(485,493)</u>	<u>(485,493)</u>	<u>(381,796)</u>	<u>103,697</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	465,493	465,493	401,000	(64,493)
Total Other Adjustments to Cash (Uses)	<u>465,493</u>	<u>465,493</u>	<u>401,000</u>	<u>(64,493)</u>
Net Change in Fund Balance	(20,000)	(20,000)	19,204	39,204
Fund Balance Beginning	<u>20,000</u>	<u>20,000</u>	<u>22,520</u>	<u>2,520</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 41,724</u>	<u>\$ 41,724</u>

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

SPECIAL RESERVE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Interest	\$ 7,375	\$ 7,375	\$ 4,047	\$ (3,328)
Total Receipts	<u>7,375</u>	<u>7,375</u>	<u>4,047</u>	<u>(3,328)</u>
DISBURSEMENTS				
Administration	3,678,018	3,678,018		3,678,018
Total Disbursements	<u>3,678,018</u>	<u>3,678,018</u>		<u>3,678,018</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(3,670,643)</u>	<u>(3,670,643)</u>	<u>4,047</u>	<u>3,674,690</u>
Other Adjustments to Cash (Uses)				
Total Other Adjustments to Cash (Uses)				
Net Change in Fund Balance	(3,670,643)	(3,670,643)	4,047	3,674,690
Fund Balance Beginning	<u>3,670,643</u>	<u>3,670,643</u>	<u>3,670,604</u>	<u>(39)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,674,651</u>	<u>\$ 3,674,651</u>

LOGAN COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2015

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 Government Accounting Standards Board and according to the laws of Kentucky as required by the State Local Finance Officer.

The county judge/executive is required to submit estimated receipts and proposed 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.

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

LOGAN COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2015

The fiscal court reports the following schedule of capital assets:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Land	\$ 2,376,428	\$	\$	\$ 2,376,428
Land Improvements	188,972	24,147		213,119
Buildings	20,135,280		10,000	20,125,280
Construction in Progress		22,878		22,878
Vehicles	1,358,815	174,527	145,627	1,387,715
Equipment	3,332,639	171,486	8,410	3,495,715
Infrastructure	12,196,928	1,298,830		13,495,758
 Total Capital Assets	 <u>\$ 39,589,062</u>	 <u>\$ 1,691,868</u>	 <u>\$ 164,037</u>	 <u>\$41,116,893</u>

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

June 30, 2015

Note 1. Capital Assets

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

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	20-25
Buildings	\$ 15,000	10-60
Building Improvements	\$ 25,000	10-60
Equipment	\$ 1,000	3-25
Vehicles	\$ 1,000	3-12
Infrastructure	\$ 20,000	20-40

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



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Logan Chick, Logan County Judge/Executive
Members of the Logan 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 Logan County Fiscal Court for the fiscal year ended June 30, 2015, and the related notes to the financial statement which collectively comprise the Logan County Fiscal Court's financial statement and have issued our report thereon dated October 6, 2016.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying comments and recommendations as items 2015-001 and 2015-002 to be material weaknesses.



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

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Logan 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 comments and recommendations as items 2015-001 and 2015-002.

Jailer's Response to Finding

The Logan County Jailer's response to the findings identified in our audit is described in the accompanying comments and recommendations. The Jailer's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

Purpose of this Report

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

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

October 6, 2016

**LOGAN COUNTY
COMMENTS AND RECOMMENDATIONS**

For The Year Ended June 30, 2015

LOGAN COUNTY
COMMENTS AND RECOMMENDATIONS

Fiscal Year Ended June 30, 2015

FINANCIAL STATEMENT FINDINGS:

2015-001 The Logan County Jail Did Not Have Sufficient Internal Controls Or Maintain Proper Records For
The Jail Commissary Fund

The Logan County Jail had the following deficiencies:

- A lack of segregation of duties existed since the bookkeeper collects money, makes deposits, prepares daily checkouts, writes checks, prepares ledgers, and reconciles the jail commissary account.
- No daily checkout sheets were being maintained to support receipts that have been collected or deposited.
- Deposits were not being made daily.
- Deposits, which heavily consisted of cash, were left in the collection machines for long periods of time without being collected and deposited into a bank account. Several deposits by the jail included collections of over a week's worth of receipts.
- Receipts were being prepared by computerized software; however, receipts were not being provided to the inmates or batched daily to prepare the deposit of the day's funds.
- Jail fees were not being turned over to the county treasurer in a timely manner. For example, April fees were not received by the county treasurer until June 2.
- Bank reconciliations were being performed by the jail, but questionable items did not receive the appropriate follow-up. A June credit card deposit was listed as a deposit in transit as of June 30, 2015, but was not actually deposited until after a year later.

The lack of segregation of duties occurred because the jail's budget for staff is limited. By not segregating incompatible duties, the opportunity for errors, inaccurate financial reporting, and misappropriation of assets increases. The other deficiencies were caused by a lack of internal controls as well as a lack of experience by the new jailer and new bookkeeper who lacked knowledge of accounting requirements under KRS and DLG standards. By not implementing adequate internal controls and preparing accurate records timely for the jail commissary fund, the opportunity for errors, inaccurate financial reporting, and misappropriation of assets increases due to complete documentation not existing for comparison to financial records. The possibility of theft increases by keeping cash onsite instead of depositing daily.

Adequate segregation of duties prevents the same person from having a significant role in incompatible functions. Compensating controls can offset this control deficiency. Implementing adequate internal controls over the jail commissary activities is essential for providing protection from asset misappropriation and inaccurate financial reporting. Additionally, internal controls protect employees in the normal course of performing their daily responsibilities, give them detailed guidance in their job duties, and ensure compliance with state laws and regulations. KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. Pursuant to KRS 68.210, the State Local Finance Officer has prescribed minimum accounting and reporting standards in the Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual*. These minimum accounting standards are to be used by jails for jail commissary funds maintained pursuant to KRS 441.135. The guidelines include preparing a daily checkout sheet, making daily deposits, and preparing accurate bank reconciliations. In addition, KRS 441.265 requires that all fees received for prisoner reimbursement be turned over to the county treasurer to be included in the jail's budget. Good internal controls dictate that accurate records be maintained and prepared in a timely manner to ensure financial information is available to the official to make management decisions and for budgeting purposes.

**LOGAN COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2015
(Continued)**

FINANCIAL STATEMENT FINDINGS: (CONTINUED)

2015-001 The Logan County Jail Did Not Have Sufficient Internal Controls Or Maintain Proper Records For The Jail Commissary Fund (Continued)

We recommend duties be segregated or oversight be implemented when duties cannot be segregated. In addition, internal controls over the jail commissary fund should be strengthened. We also recommend the jail maintain proper accounting records by preparing a daily checkout sheet, batching the receipts to agree to the daily checkout sheet, and making deposits daily. We also recommend the jail complete the monthly jail fee report and turn over those fees to the county treasurer in a timely manner. Finally, the jail should perform a monthly bank reconciliation on the jail commissary account and ensure that all transactions have either been accounted for or followed up in an efficient manner.

County Judge/Executive's Response: No response.

Jailer's Response: We are aware of the deficiencies and have implemented the recommended changes that will rectify the lack of segregation.

2015-002 Proper Documentation Was Not Maintained For Jail Commissary Fund Disbursements

Eight of 17 disbursements tested from the jail commissary fund did not have adequate supporting documentation to corroborate the purchase because the invoices were missing. This deficiency was caused by lack of oversight by the bookkeeper. By not requiring an itemized invoice for all commissary disbursements, the jailer is unable to adequately review disbursements to ensure they are for the benefit and to enhance the well-being of the inmates in compliance with KRS 441.135. Personal items or expenses could be paid from the commissary account without management's knowledge.

KRS 441.135(3) states, "Allowable expenditures from a canteen account shall include but not be limited to recreational, vocational, and medical purposes." Good internal controls dictate that adequate supporting documentation be maintained for all disbursements. All vendor invoices and receipts should be maintained, including any additional supporting documentation, and agreed to the disbursements ledger.

We recommend that an original, itemized invoice for all disbursements from the jail commissary fund be obtained and kept for documentation purposes.

County Judge/Executive's Response: No response.

Jailer's Response: We are aware of the deficiencies and have implemented the recommended changes that will rectify the itemized invoices for all disbursements.

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

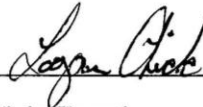
LOGAN COUNTY FISCAL COURT

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

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

For The Fiscal Year Ended June 30, 2015

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



County Judge/Executive



County Treasurer

