

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

**For The Year Ended
June 30, 2018**



**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 Logan Chick, Logan County Judge/Executive
Members of the Logan County Fiscal Court

The enclosed report prepared by Tichenor & Associates, LLP, Certified Public Accountants, presents the financial statement of Logan County, Kentucky, for the year ended June 30, 2018.

We engaged Tichenor & Associates, LLP to perform the audit of this financial statement. We worked closely with the firm during our report review process; Tichenor & Associates, LLP evaluated the Logan County Fiscal Court's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Mike Harmon
Auditor of Public Accounts

Enclosure



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CONTENTS

PAGE

INDEPENDENT AUDITORS' REPORT	1
LOGAN COUNTY OFFICIALS	4
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - REGULATORY BASIS.....	6
NOTES TO FINANCIAL STATEMENT.....	10
BUDGETARY COMPARISON SCHEDULES.....	25
NOTE TO REGULATORY SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULES	34
SCHEDULE OF CAPITAL ASSETS.....	37
NOTES TO REGULATORY SUPPLEMENTARY INFORMATION - SCHEDULE OF CAPITAL ASSETS	38
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 <i>GOVERNMENT AUDITING STANDARDS</i>	41
SCHEDULE OF FINDINGS AND RESPONSES	45
APPENDIX A: CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	

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To the People of Kentucky
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Independent Auditors' 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, 2018, 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.

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

As described in Note 1 of the financial statement, the financial statement is prepared by 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, 2018, 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, 2018, and their respective cash receipts and disbursements, and budgetary results for the year then ended, in accordance with the basis of accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

Other Matters

Supplementary Information

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

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

To the People of Kentucky
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2018, 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 Schedule of Findings and Responses included herein, which discusses the following report finding:

2018-001 The Logan County Jailer Has Not Followed Up On All Outstanding Checks In A Timely Manner

Respectfully submitted,

Tichenor & Associates, LLP

Tichenor & Associates, LLP
Louisville, Kentucky

November 30, 2018

LOGAN COUNTY OFFICIALS
For The Year Ended June 30, 2018

Fiscal Court Members:

Logan Chick	County Judge/Executive
Dickie Carter	Magistrate
Jack Crossley	Magistrate
Barry Joe Wright	Magistrate
Drexel Johnson	Magistrate
Josephine Orange	Magistrate
Thomas Bouldin	Magistrate

Other Elected Officials:

Joe Ross	County Attorney
Phil Gregory	Jailer
Scottie Harper	County Clerk
Sherry Wilkins	Circuit Court Clerk
Wallace Whittaker	Sheriff
Ben Brown	Property Valuation Administrator
Mary Givens	Coroner

Appointed Personnel:

Amanda Stratton	County Treasurer
Karen Taylor	Finance Officer

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

For The Year Ended June 30, 2018

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

For The Year Ended June 30, 2018

	<u>Budgeted Funds</u>		
	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>
RECEIPTS			
Taxes	\$ 2,409,149	\$	\$
In Lieu Tax Payments	252,004		
Licenses and Permits	24,928		
Intergovernmental	2,031,035	2,024,521	1,797,994
Charges for Services			49,905
Miscellaneous	70,868	2,714	153,351
Interest			
Total Receipts	<u>4,787,984</u>	<u>2,027,235</u>	<u>2,001,250</u>
DISBURSEMENTS			
General Government	3,957,026	605	
Protection to Persons and Property	592,567		1,937,398
General Health and Sanitation	300		
Social Services	700		
Recreation and Culture	47,659		
Roads		1,794,537	
Airports			
Debt Service			
Capital Projects		122,695	
Administration	651,818	222,093	377,010
Total Disbursements	<u>5,250,070</u>	<u>2,139,930</u>	<u>2,314,408</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(462,086)</u>	<u>(112,695)</u>	<u>(313,158)</u>
Other Adjustments to Cash (Uses)			
Transfers from Other Funds	830,000	515,000	625,000
Transfers to Other Funds			(319,381)
Total Other Adjustments to Cash (Uses)	<u>830,000</u>	<u>515,000</u>	<u>305,619</u>
Net Change in Fund Balance	367,914	402,305	(7,539)
Fund Balance - Beginning	665,891	66,770	129,922
Fund Balance - Ending	<u>\$ 1,033,805</u>	<u>\$ 469,075</u>	<u>\$ 122,383</u>
Composition of Fund Balance			
Bank Balance	\$ 1,052,285	\$ 562,568	\$ 164,447
Plus: Deposits In Transit			
Less: Outstanding Checks	(18,480)	(93,493)	(42,064)
Investments			
Fund Balance - Ending	<u>\$ 1,033,805</u>	<u>\$ 469,075</u>	<u>\$ 122,383</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, 2018
(Continued)

Budgeted Funds					
Local Government Economic Assistance Fund	Solid Waste Fund	Occupational Tax Fund	Lifeskills Revolving Loan Fund	911 Fund	Special Reserve Fund
\$	\$	\$ 3,701,832	\$	\$ 369,864	\$
	55,831				
176,553	46,408				
571					
	10,504			151	
					18,460
<u>177,124</u>	<u>112,743</u>	<u>3,701,832</u>		<u>370,015</u>	<u>18,460</u>
132,064		76,633			
				651,926	
95,286	196,950				
24,300					
95,817					
21,041					
1,505	35,653	22,225		175,576	
<u>370,013</u>	<u>232,603</u>	<u>98,858</u>		<u>827,502</u>	
<u>(192,889)</u>	<u>(119,860)</u>	<u>3,602,974</u>		<u>(457,487)</u>	<u>18,460</u>
235,000				457,000	
		(2,662,000)			
<u>235,000</u>		<u>(2,662,000)</u>		<u>457,000</u>	
42,111	(119,860)	940,974		(487)	18,460
57,599	882,758	2,640,757	152,843	53,063	4,041,936
<u>\$ 99,710</u>	<u>\$ 762,898</u>	<u>\$ 3,581,731</u>	<u>\$ 152,843</u>	<u>\$ 52,576</u>	<u>\$ 4,060,396</u>
\$ 107,910	\$ 765,206	\$ 3,582,652	\$ 152,843	\$ 52,822	\$ 4,060,396
(8,200)	(2,308)	(921)		(246)	
<u>\$ 99,710</u>	<u>\$ 762,898</u>	<u>\$ 3,581,731</u>	<u>\$ 152,843</u>	<u>\$ 52,576</u>	<u>\$ 4,060,396</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, 2018
(Continued)

	Unbudgeted Funds			Total Funds
	Public Properties Corporation Detention Center Fund	Public Properties Corporation Justice Center Fund	Jail Commissary Fund	
RECEIPTS				
Taxes	\$	\$	\$	\$ 6,480,845
In Lieu Tax Payments				252,004
Licenses and Permits				80,759
Intergovernmental		980,825		7,057,336
Charges for Services				50,476
Miscellaneous			391,745	629,333
Interest	9,647	122		28,229
Total Receipts	<u>9,647</u>	<u>980,947</u>	<u>391,745</u>	<u>14,578,982</u>
DISBURSEMENTS				
General Government				4,166,328
Protection to Persons and Property	328,644			3,510,535
General Health and Sanitation				292,536
Social Services				25,000
Recreation and Culture			272,914	416,390
Roads				1,794,537
Airports				21,041
Debt Service		977,125		977,125
Capital Projects				122,695
Administration		3,700		1,489,580
Total Disbursements	<u>328,644</u>	<u>980,825</u>	<u>272,914</u>	<u>12,815,767</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(318,997)</u>	<u>122</u>	<u>118,831</u>	<u>1,763,215</u>
Other Adjustments to Cash (Uses)				
Transfers from Other Funds	319,381			2,981,381
Transfers to Other Funds				(2,981,381)
Total Other Adjustments to Cash (Uses)	<u>319,381</u>			
Net Change in Fund Balance	384	122	118,831	1,763,215
Fund Balance - Beginning	<u>340,578</u>	<u>3,972</u>	<u>208,812</u>	<u>9,244,901</u>
Fund Balance - Ending	<u>\$ 340,962</u>	<u>\$ 4,094</u>	<u>\$ 327,643</u>	<u>\$ 11,008,116</u>
Composition of Fund Balance				
Bank Balance	\$ 3,950	\$ 4,094	\$ 342,074	\$ 10,851,247
Plus: Deposits In Transit			1,495	1,495
Less: Outstanding Checks			(15,926)	(181,638)
Investments	<u>337,012</u>			<u>337,012</u>
Fund Balance - Ending	<u>\$ 340,962</u>	<u>\$ 4,094</u>	<u>\$ 327,643</u>	<u>\$ 11,008,116</u>

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

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENT**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	10
NOTE 2.	DEPOSITS AND INVESTMENTS.....	13
NOTE 3.	TRANSFERS.....	15
NOTE 4.	AGENCY TRUST FUNDS	16
NOTE 5.	LONG-TERM DEBT	16
NOTE 6.	COMMITMENTS AND CONTINGENCIES	17
NOTE 7.	EMPLOYEE RETIREMENT SYSTEM	17
NOTE 8.	DEFERRED COMPENSATION.....	20
NOTE 9.	HEALTH REIMBURSEMENT ACCOUNT/FLEXIBLE SPENDING ACCOUNT	20
NOTE 10.	INSURANCE.....	20
NOTE 11.	CONDUIT DEBT.....	21
NOTE 12.	TAX ABATEMENT	21

LOGAN COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2018

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.

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.

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.

LOGAN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

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.

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 sources 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 Revolving Loan 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 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 budget this fund.

Jail Commissary Fund - The canteen operations are authorized pursuant to KRS 441.135(1). 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.

LOGAN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board and according to the laws of Kentucky as required by the state local finance officer.

The county judge/executive is required to submit estimated receipts and proposed disbursements to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the state local finance officer. Disbursements may not exceed budgeted appropriations at the activity level.

The state local finance officer does not require the jail commissary fund to be budgeted because the fiscal court does not approve the expenses of this fund.

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 listed 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 the Logan County Fiscal Court.

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

F. Deposits and Investments

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

LOGAN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments (Continued)

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.

H. Joint Venture

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based on this criteria, the following is considered a joint venture of the Logan County Fiscal Court:

Planning and Zoning Commission

I. Tax Abatements

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

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

Note 2. Deposits 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 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 at June 30, 2018.

LOGAN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 2. Deposits and Investments (Continued)

A. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 66.480(1)(d) and KRS 41.240. As of June 30, 2018, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

B. Investments

As of June 30, 2018, the fiscal court had the following investments and maturities:

Type	Cost Basis	Maturities (In Years)	
		Less Than 1	1-5
U.S. Treasury:			
Mutual Funds	\$ 3,950	\$ 3,950	\$
Investments:			
U.S. Government and U.S. Agencies Bonds	337,012		337,012
Total Investments	<u>337,012</u>		<u>337,012</u>
Total Fund Balance	<u>\$ 340,962</u>	<u>\$ 3,950</u>	<u>\$ 337,012</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 \$337,012 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 and the fiscal court's investment policy define the following items as permissible investments:

- 1) Obligations of the United States and of its agencies and instrumentalities.
- 2) Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States government agency.
- 3) Obligations of any corporation of the United States Government.
- 4) Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations, including surety bonds, permitted by KRS 41.240.
- 5) Uncollateralized certificates of deposit issued by any bank or savings and loan institution rated in one of the three highest categories by nationally recognized rating agency.

LOGAN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 2. Deposits and Investments (Continued)

B. Investments (Continued)

- 6) Bankers' acceptances for banks rated in one of the three highest categories by a nationally recognized rating agency.
- 7) Commercial paper rated in the highest category by a nationally recognized rating agency.
- 8) Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities.
- 9) Securities issued by a state or local government, or any instrumentality of agency thereof, in the United States, and rated in one of the three highest categories by a nationally recognized rating agency.
- 10) Shares of mutual funds, each of which shall have the following characteristics:
 - a) The mutual funds shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended.
 - b) The management company of the investment company shall have been in operation for at least five years.
 - c) All of the securities in the mutual fund shall be eligible investments pursuant to this section.

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

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 2018.

	Occupational Tax Fund	Jail Fund	Total Transfers In
General Fund	\$ 830,000	\$	\$ 830,000
Road Fund	515,000		515,000
Jail Fund	625,000		625,000
LGEA Fund	235,000		235,000
911 Fund	457,000		457,000
PPC Detention Center Fund		319,381	319,381
Total Transfers Out	<u>\$ 2,662,000</u>	<u>\$ 319,381</u>	<u>\$ 2,981,381</u>

To move resources from 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, 2018
(Continued)

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 fund:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The jail inmate fund balance as of June 30, 2018, was \$4,951. This balance is included in the jail commissary fund balance of \$327,643.

Note 5. Long-term Debt

As of June 30, 2018, the fiscal court had the following long-term debt:

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

On March 1, 2008, the 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 percent and 4.25 percent. Interest is payable on February 1 and August 1 of each year. Principal is payable annually on February 1. The 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. On March 1, 2016, the Logan County Public Properties Corporation issued First Mortgage Refunding Revenue Bonds (Justice Center Project), Series 2016 to advance refund \$7,175,000 of this principal balance. Total principal balance outstanding as of June 30, 2018, was \$1,470,000. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2019	\$ 720,000	\$ 57,000
2020	750,000	30,000
Totals	<u>\$ 1,470,000</u>	<u>\$ 87,000</u>

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

On March 4, 2010, the 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 percent and 4 percent. 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, 2018, was \$2,040,000. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2019	\$ 255,000	\$ 75,200
2020	265,000	65,769
2021	280,000	55,200
2022	290,000	43,800
2023	305,000	31,900
2024-2025	645,000	26,100
Totals	<u>\$ 2,040,000</u>	<u>\$ 297,969</u>

LOGAN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 5. Long-term Debt (Continued)

C. First Mortgage Refunding Revenue Bonds (Justice Center Project), Series 2016

On March 9, 2016, the Logan County Public Properties Corporation issued First Mortgage Revenue Refunding Bonds (Justice Center Project), Series 2016, to refund the First Mortgage Revenue Bonds (Justice Center Project), Series 2008. The total bond issue was in the amount of \$7,595,000, with interest rates varying between 2 percent and 3 percent. Interest is payable on February 1 and August 1 of each year. Principal is payable annually on February 1. Total principal balance outstanding as of June 30, 2018, was \$7,595,000. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2019	\$	\$ 200,800
2020	50,000	200,800
2021	870,000	199,800
2022	885,000	182,400
2023	900,000	164,700
2024-2028	4,890,000	448,650
Totals	<u>\$ 7,595,000</u>	<u>\$ 1,397,150</u>

D. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds	\$ 12,045,000	\$	\$ 940,000	\$11,105,000	\$ 975,000
Total Long-term Debt	<u>\$ 12,045,000</u>	<u>\$ 0</u>	<u>\$ 940,000</u>	<u>\$11,105,000</u>	<u>\$ 975,000</u>

Note 6. Commitments and Contingencies

The county is involved in one lawsuit that arose from the normal course of doing business. Due to the uncertainty of the litigation, a reasonable estimate of the financial impact on the county cannot be made at this time.

Note 7. Employee Retirement System

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 2016 was \$564,871, FY 2017 was \$614,118, and FY 2018 was \$653,381.

LOGAN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 7. Employee Retirement System (Continued)

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 19.18 percent.

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS 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

LOGAN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 7. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

A. Health Insurance Coverage - Tier 1 (Continued)

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.

Benefits are covered under KRS 161.714 with exception of COLA and retiree health benefits after July 2003.

B. Health Insurance Coverage - Tier 2 and Tier 3 - Nonhazardous

Once members reach a minimum vesting period of 15 years, they 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 by 1.5 percent. This was established for Tier 2 members during the 2008 Special Legislative Session by House Bill 1. During the 2013 Legislative Session, Senate Bill 2 was enacted, creating Tier 3 benefits for members.

The monthly insurance benefit has been increased annually as a 1.5 percent cost of living adjustment (COLA) since July 2003 when the law changed. The annual increase is cumulative and continues to accrue after the member's retirement.

Tier 2 member benefits are covered by KRS 161.714 with exception of COLA and retiree health benefits after July 2003. Tier 3 members are not covered by the same provisions.

C. Cost of Living Adjustments - Tier 1

The 1996 General Assembly enacted an automatic cost of living adjustment (COLA) provision for all recipients of KRS benefits. During the 2008 Special Session, the General Assembly determined that each July beginning in 2009, retirees who have been receiving a retirement allowance for at least 12 months will receive an automatic COLA of 1.5 percent. The COLA is not a guaranteed benefit. If a retiree has been receiving a benefit for less than 12 months, and a COLA is provided, it will be prorated based on the number of months the recipient has been receiving a benefit.

D. Cost of Living Adjustments - Tier 2 and Tier 3

No COLA is given unless authorized by the legislature with specific criteria. To this point, no COLA has been authorized by the legislature for Tier 2 or Tier 3 members.

E. Death Benefit

If a retired member is receiving a monthly benefit based on at least 48 months of service credit, KRS will pay a \$5,000 death benefit payment to the beneficiary designated by the member specifically for this benefit. Members with multiple accounts are entitled to only one death benefit.

KRS Annual Financial Report and Proportionate Share Audit Report

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.

LOGAN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 7. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

KRS Annual Financial Report and Proportionate Share Audit Report (Continued)

KRS also issues proportionate share audit reports for both total pension liability and other post-employment benefits for CERS determined by actuarial valuation as well as each participating county's proportionate share.

Both the Schedules of Employer Allocations and Pension Amounts by Employer and the Schedules of Employer Allocations and OPEB Amounts by Employer reports and the related actuarial tables are available online at <https://kyret.ky.gov>. The complete actuarial valuation report, including all actuarial assumptions and methods, is also available on the website or can be obtained as described in the paragraph above.

Note 8. Deferred Compensation

On June 30, 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 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 9. Health Reimbursement Account And 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 county has contracted with a third-party administrator to administer the plan. The plan provides \$2,000 each year to an HRA for employees who choose 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 FSA for employees who chose to waive health insurance. Employees may also contribute additional pre-funds to the FSA through payroll deduction. Each eligible employee is provided a debit card to pay for qualified medical expenses from the HRA or FSA.

Note 10. Insurance

For the fiscal year ended June 30, 2018, the Logan 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.

LOGAN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 11. Conduit Debt

From time to time, the county has issued bonds to provide financial assistance for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest, in accordance with KRS 103.210. This debt may take the form of certain types of limited-obligation revenue bonds, certificates of participation, or similar debt instruments. Although conduit debt obligations bear the 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, 2018, conduit debt has been issued but the amount currently outstanding is not reasonably determinable.

Note 12. Tax Abatements

As of June 30, 2018, the fiscal court had the following tax abatement programs:

- A. The occupational tax was abated under the authority of the Logan County Fiscal Court. Champion Petfoods is eligible to receive this tax abatement as a result of its commitment to creating and/or retaining jobs in Logan County. The taxes are abated by granting a credit in an amount up to 0.33 percent of the county's occupational license fee. Champion Petfoods made the commitment to create and/or retain jobs by building a new pet food processing, warehousing, and distribution facility. The performance term of the tax abatement is 10 years from the activation of the incentive program. Champion Petfoods has not activated this incentive program as of June 30, 2018. For fiscal year ended June 30, 2018, Logan County abated zero occupational taxes.
- B. The occupational tax was abated under the authority of the Logan County Fiscal Court. Ventra Plastics is eligible to receive this tax abatement as a result of its commitment to locate and create jobs and investments regarding an expansion in Logan County. The taxes are abated by granting a credit of 0.27 percent of the county's occupational license fee for respective salaries and wages for any position created or any new hire resulting directly from the company's planned expansion. Ventra Plastics made the commitment to locate and create jobs and investments regarding an expansion. The performance term of the tax abatement is 10 years from the activation of the incentive program. Ventra Plastics has not activated this incentive program as of June 30, 2018. For fiscal year ended June 30, 2018, Logan County abated zero occupational taxes.

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LOGAN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2018

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LOGAN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2018

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 2,005,150	\$ 2,005,150	\$ 2,409,149	\$ 403,999
In Lieu Tax Payments	200,000	200,000	252,004	52,004
Licenses and Permits	21,992	21,992	24,928	2,936
Intergovernmental	2,302,722	2,302,722	2,031,035	(271,687)
Miscellaneous	21,600	37,664	70,868	33,204
Total Receipts	<u>4,551,464</u>	<u>4,567,528</u>	<u>4,787,984</u>	<u>220,456</u>
DISBURSEMENTS				
General Government	4,512,285	4,528,349	3,957,026	571,323
Protection to Persons and Property	701,028	701,028	592,567	108,461
General Health and Sanitation	300	300	300	
Social Services	1,000	1,000	700	300
Recreation and Culture	431,471	431,471	47,659	383,812
Capital Projects	96,803	96,803		96,803
Administration	786,802	786,802	651,818	134,984
Total Disbursements	<u>6,529,689</u>	<u>6,545,753</u>	<u>5,250,070</u>	<u>1,295,683</u>
Excess (Deficiency) of Receipts Over Disbursements before Other Adjustments to Cash (Uses)	<u>(1,978,225)</u>	<u>(1,978,225)</u>	<u>(462,086)</u>	<u>1,516,139</u>
Other Adjustments to Cash (Uses)				
Transfers from Other Funds	1,453,225	1,453,225	830,000	(623,225)
Total Other Adjustments to Cash (Uses)	<u>1,453,225</u>	<u>1,453,225</u>	<u>830,000</u>	<u>(623,225)</u>
Net Change in Fund Balance	(525,000)	(525,000)	367,914	892,914
Fund Balance - Beginning	<u>525,000</u>	<u>525,000</u>	<u>665,891</u>	<u>140,891</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,033,805</u>	<u>\$ 1,033,805</u>

LOGAN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2018
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,992,803	\$ 1,992,803	\$ 2,024,521	\$ 31,718
Miscellaneous	1,600	1,600	2,714	1,114
Total Receipts	<u>1,994,403</u>	<u>1,994,403</u>	<u>2,027,235</u>	<u>32,832</u>
DISBURSEMENTS				
General Government	500	605	605	
Roads	2,743,818	2,743,472	1,794,537	948,935
Capital Projects	132,400	132,400	122,695	9,705
Administration	257,278	257,519	222,093	35,426
Total Disbursements	<u>3,133,996</u>	<u>3,133,996</u>	<u>2,139,930</u>	<u>994,066</u>
Excess (Deficiency) of Receipts				
Disbursements Before Other				
Adjustments to Cash (Uses)	<u>(1,139,593)</u>	<u>(1,139,593)</u>	<u>(112,695)</u>	<u>1,026,898</u>
Other Adjustments to Cash (Uses)				
Transfers from Other Funds	<u>1,074,593</u>	<u>1,074,593</u>	<u>515,000</u>	<u>(559,593)</u>
Total Other Adjustments to Cash (Uses)	<u>1,074,593</u>	<u>1,074,593</u>	<u>515,000</u>	<u>(559,593)</u>
Net Change in Fund Balance	(65,000)	(65,000)	402,305	467,305
Fund Balance - Beginning	<u>65,000</u>	<u>65,000</u>	<u>66,770</u>	<u>1,770</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 469,075</u>	<u>\$ 469,075</u>

LOGAN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2018
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,524,537	\$ 1,524,537	\$ 1,797,994	\$ 273,457
Charges for Services	41,100	41,100	49,905	8,805
Miscellaneous	128,300	128,300	153,351	25,051
Total Receipts	<u>1,693,937</u>	<u>1,693,937</u>	<u>2,001,250</u>	<u>307,313</u>
DISBURSEMENTS				
Protection to Persons and Property	2,082,549	2,081,276	1,937,398	143,878
Administration	544,977	546,250	377,010	169,240
Total Disbursements	<u>2,627,526</u>	<u>2,627,526</u>	<u>2,314,408</u>	<u>313,118</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(933,589)</u>	<u>(933,589)</u>	<u>(313,158)</u>	<u>620,431</u>
Other Adjustments to Cash (Uses)				
Transfers from Other Funds	1,126,297	1,126,297	625,000	(501,297)
Transfers to Other Funds	(319,382)	(319,382)	(319,381)	1
Total Other Adjustments to Cash (Uses)	<u>806,915</u>	<u>806,915</u>	<u>305,619</u>	<u>(501,296)</u>
Net Change in Fund Balance	(126,674)	(126,674)	(7,539)	119,135
Fund Balance - Beginning	<u>126,674</u>	<u>126,674</u>	<u>129,922</u>	<u>3,248</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 122,383</u>	<u>\$ 122,383</u>

LOGAN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2018
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 81,000	\$ 81,000	\$ 176,553	\$ 95,553
Charges for Services	500	500	571	71
Miscellaneous	100	100		(100)
Total Receipts	<u>81,600</u>	<u>81,600</u>	<u>177,124</u>	<u>95,524</u>
DISBURSEMENTS				
General Government	254,500	254,500	132,064	122,436
General Health and Sanitation	99,000	99,000	95,286	3,714
Social Services	40,500	40,500	24,300	16,200
Recreation and Culture	92,564	96,778	95,817	961
Roads	41,784	41,784		41,784
Airports	35,286	35,286	21,041	14,245
Administration	14,056	9,842	1,505	8,337
Total Disbursements	<u>577,690</u>	<u>577,690</u>	<u>370,013</u>	<u>207,677</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(496,090)</u>	<u>(496,090)</u>	<u>(192,889)</u>	<u>303,201</u>
Other Adjustments to Cash (Uses)				
Transfers from Other Funds	<u>453,090</u>	<u>453,090</u>	<u>235,000</u>	<u>(218,090)</u>
Total Other Adjustments to Cash (Uses)	<u>453,090</u>	<u>453,090</u>	<u>235,000</u>	<u>(218,090)</u>
Net Change in Fund Balance	(43,000)	(43,000)	42,111	85,111
Fund Balance - Beginning	<u>43,000</u>	<u>43,000</u>	<u>57,599</u>	<u>14,599</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 99,710</u>	<u>\$ 99,710</u>

LOGAN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2018
(Continued)

	SOLID WASTE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Licenses and Permits	\$ 40,000	\$ 40,000	\$ 55,831	\$ 15,831
Intergovernmental	46,353	46,353	46,408	55
Miscellaneous	22,200	22,200	10,504	(11,696)
Total Receipts	<u>108,553</u>	<u>108,553</u>	<u>112,743</u>	<u>4,190</u>
DISBURSEMENTS				
General Health and Sanitation	242,259	242,259	196,950	45,309
Administration	334,294	334,294	35,653	298,641
Total Disbursements	<u>576,553</u>	<u>576,553</u>	<u>232,603</u>	<u>343,950</u>
Excess (Deficiency) of Receipts Disbursements before Other Adjustments to Cash (Uses)	<u>(468,000)</u>	<u>(468,000)</u>	<u>(119,860)</u>	<u>348,140</u>
Net Change in Fund Balance	(468,000)	(468,000)	(119,860)	348,140
Fund Balance - Beginning	<u>468,000</u>	<u>468,000</u>	<u>882,758</u>	<u>414,758</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 762,898</u>	<u>\$ 762,898</u>

LOGAN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2018
(Continued)

	OCCUPATIONAL TAX FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 2,845,000	\$ 2,845,000	\$ 3,701,832	\$ 856,832
Total Receipts	2,845,000	2,845,000	3,701,832	856,832
DISBURSEMENTS				
General Government	108,618	108,618	76,633	31,985
Administration	421,907	343,352	22,225	321,127
Total Disbursements	530,525	451,970	98,858	353,112
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	2,314,475	2,393,030	3,602,974	1,209,944
Other Adjustments to Cash (Uses)				
Transfers to Other Funds	(4,883,401)	(4,883,401)	(2,662,000)	2,221,401
Total Other Adjustments to Cash (Uses)	(4,883,401)	(4,883,401)	(2,662,000)	2,221,401
Net Change in Fund Balance	(2,568,926)	(2,490,371)	940,974	3,431,345
Fund Balance - Beginning	2,568,926	2,568,926	2,640,757	71,831
Fund Balance - Ending	\$ 0	\$ 78,555	\$ 3,581,731	\$ 3,503,176

LOGAN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2018
(Continued)

LIFESKILLS REVOLVING LOAN FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
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
Net Change in Fund Balance	(152,843)	(152,843)		152,843
Fund Balance - Beginning	152,843	152,843	152,843	
Fund Balance - Ending	\$ 0	\$ 0	\$ 152,843	\$ 152,843

LOGAN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2018
(Continued)

	911 FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 341,000	\$ 341,000	\$ 369,864	\$ 28,864
Miscellaneous	100	100	151	51
Total Receipts	<u>341,100</u>	<u>341,100</u>	<u>370,015</u>	<u>28,915</u>
DISBURSEMENTS				
Protection to Persons and Property	668,988	747,343	651,926	95,417
Administration	243,308	243,508	175,576	67,932
Total Disbursements	<u>912,296</u>	<u>990,851</u>	<u>827,502</u>	<u>163,349</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(571,196)</u>	<u>(649,751)</u>	<u>(457,487)</u>	<u>192,264</u>
Other Adjustments to Cash (Uses)				
Transfers from Other Funds	<u>526,196</u>	<u>526,196</u>	<u>457,000</u>	<u>(69,196)</u>
Total Other Adjustments to Cash (Uses)	<u>526,196</u>	<u>526,196</u>	<u>457,000</u>	<u>(69,196)</u>
Net Change in Fund Balance	(45,000)	(123,555)	(487)	123,068
Fund Balance - Beginning	<u>45,000</u>	<u>45,000</u>	<u>53,063</u>	<u>8,063</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (78,555)</u>	<u>\$ 52,576</u>	<u>\$ 131,131</u>

LOGAN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2018
(Continued)

	SPECIAL RESERVE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Interest	\$ 9,000	\$ 9,000	\$ 18,460	\$ 9,460
Total Receipts	9,000	9,000	18,460	9,460
DISBURSEMENTS				
Administration	4,300,898	4,300,898		4,300,898
Total Disbursements	4,300,898	4,300,898		4,300,898
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(4,291,898)	(4,291,898)	18,460	4,310,358
Other Adjustments to Cash (Uses)				
Transfers from Other Funds	250,000	250,000		(250,000)
Total Other Adjustments to Cash (Uses)	250,000	250,000		(250,000)
Net Change in Fund Balance	(4,041,898)	(4,041,898)	18,460	4,060,358
Fund Balance - Beginning	4,041,898	4,041,898	4,041,936	38
Fund Balance - Ending	\$ 0	\$ 0	\$ 4,060,396	\$ 4,060,396

LOGAN COUNTY
NOTE TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2018

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.

LOGAN COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2018

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LOGAN COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2018

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance (* Restated)	Additions	Deletions	Ending Balance
Land	\$ 2,376,428	\$	\$	\$ 2,376,428
Land Improvements	348,042	161,353		509,395
Buildings	20,385,581			20,385,581
Construction In Progress	3,000	7,000	3,000	7,000
Vehicles	1,733,110	140,578	19,838	1,853,850
Equipment *	3,717,621	442,697	165,189	3,995,129
Infrastructure	15,552,533	949,216		16,501,749
Total Capital Assets	\$ 44,116,315	\$ 1,700,844	\$ 188,027	\$45,629,132

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

June 30, 2018

Note 1. Capital Assets

Capital assets, which include land, land improvements, buildings, building improvements, vehicles, 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.

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

Note 2. Restatement of Beginning Balance

The beginning balance for equipment was restated by \$8,410 to add assets that were deleted in error in previous years.

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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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 Auditors' 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, 2018, 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 November 30, 2018.

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.

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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2018-001.

Views of Responsible Official (Jailer) and Planned Corrective Action

Logan County Jailer's views and planned corrective action for the finding identified in our audit are included in the accompanying Schedule of Findings and Responses. The county 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,

Tichenor & Associates, LLP

Tichenor & Associates, LLP
Louisville, KY

November 30, 2018

**LOGAN COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2018

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**LOGAN COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2018

STATE LAWS AND REGULATIONS:

2018-001 The Logan County Jailer Has Not Followed Up On All Outstanding Checks In A Timely Manner

During our audit, we noted that the Jailer has outstanding checks dating back to 2015. This deficiency was the result of KRS 441.137 and could result in improper cash balances. Not following up on old outstanding checks can cause the cash balance to be misleading and not show the correct cash. KRS 441.137 states:

- (1) For any moneys in an inmate account or prisoner canteen account of a jail that are not returned to a prisoner at the time he or she is released from the jail, the jailer shall transmit a check for the balance of the moneys by first class mail to the released prisoner at his or her last known address. If the check is returned as undeliverable, then the jailer shall attempt to contact the prisoner at a telephone number on file, if any, to arrange the return of the moneys. If the moneys are not claimed after the jailer fulfills the requirements of this subsection, the moneys shall be presumed abandoned after one (1) year after the date the check is mailed or, if an attempt to call is made, the date of the phone call.
- (2) Any abandoned moneys as set out in subsection (1) of this section shall, if in a prisoner account, be transferred into the canteen account if these are two (2) different accounts, or shall remain in the canteen account and be available for the purposes set out in KRS 441.135.

We recommend the jailer follow up on all outstanding checks by following the procedures of KRS 441.137. If monies are not claimed after that, they should be transferred to the commissary account.

Views of Jailer and Planned Corrective Action:

County Jailer's Response: The Logan County Jailer will follow up on all outstanding checks as outlined in KRS 441.137. If the monies are not claimed after the Logan County Jailer has fulfilled these requirements, they should be transferred back into the commissary account. We have implemented a new procedure method to ensure this is done correctly in the future. We have been in contact with our commissary company as well as our Jail Management software provider. They are working on a new information spreadsheet that has all the information available so jail staff can document the following: check number, name of recipient, amount, recipient's telephone number, date of contact, and to comment on how many attempts were made and the outcome of those attempts. Thank you for bringing this issue to light and assisting us in correcting the matter.

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

LOGAN COUNTY FISCAL COURT


For The Year Ended June 30, 2018

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

For The Fiscal Year Ended June 30, 2018

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