

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

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



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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 Wil Cannon, Edmonson County Judge/Executive  
Members of the Edmonson County Fiscal Court

The enclosed report prepared by Tichenor & Associates, LLP, Certified Public Accountants, presents the financial statement of Edmonson County, Kentucky, for the year ended June 30, 2016.

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 Edmonson County Fiscal Court's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Mike Harmon  
Auditor of Public Accounts

Enclosure





**EXECUTIVE SUMMARY**  
**AUDIT OF THE**  
**EDMONSON COUNTY FISCAL COURT**

**June 30, 2016**

Tichenor & Associates, LLP has completed the audit of the Edmonson County Fiscal Court for the fiscal year ended June 30, 2016.

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

**Financial Condition:**

The Edmonson County Fiscal Court had total receipts of \$3,964,932 and disbursements of \$3,872,077 in fiscal year 2016. This resulted in a total ending fund balance of \$1,468,129, which is an increase of \$92,855 from the prior year.

**Findings**

- 2016-001 The Fiscal Court Did Not Ensure Compliance With Their Section 218 Social Security Agreement
- 2016-002 The Fiscal Court Did Not Have Adequate Internal Controls Over Disbursements
- 2016-003 The Fiscal Court Lacks Segregation Of Duties Over Receipts, Disbursements, Reconciliations, And Capital Assets

**Deposits:**

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



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# TICHENOR & ASSOCIATES, LLP

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To the People of Kentucky  
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## 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 Edmonson County Fiscal Court, for the year ended June 30, 2016, and the related notes to the financial statement which collectively comprise the Edmonson County Fiscal Court's financial statement as listed in the table of contents.

### **Management's Responsibility for the Financial Statement**

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

### **Auditor's Responsibility**

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

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

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

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

As described in Note 1 of the financial statement, the financial statement is prepared by the Edmonson 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 Edmonson County Fiscal Court as of June 30, 2016, or changes in financial position or cash flows thereof for the year then ended.

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

In our opinion, the financial statement referred to above presents fairly, in all material respects, the fund balances of the Edmonson County Fiscal Court as of June 30, 2016, and their respective cash receipts and disbursements, and budgetary results for the year then ended, in accordance with the basis of accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

### **Other Matters**

#### *Supplementary Information*

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2017 on our consideration of the Edmonson 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 Edmonson County Fiscal Court's internal control over financial reporting and compliance.

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

- 2016-001 The Fiscal Court Did Not Ensure Compliance With Their Section 218 Social Security Agreement
- 2016-002 The Fiscal Court Did Not Have Adequate Internal Controls Over Disbursements
- 2016-003 The Fiscal Court Lacks Segregation Of Duties Over Receipts, Disbursements, Reconciliations, And Capital Assets

Respectfully submitted,

*Tichenor & Associates, LLP*

Tichenor & Associates, LLP

March 27, 2017

EDMONSON COUNTY OFFICIALS

For the Year Ended June 30, 2016

**Fiscal Court Members:**

Wil Cannon	County Judge/Executive
Bennie Simmons	Magistrate
Joe Durbin	Magistrate
Clark Wood	Magistrate
Charles "Edd" Rich	Magistrate
Johnny Brooks	Magistrate
Mark Woosley	Magistrate

**Other Elected Officials:**

J.B. Hines	County Attorney
Hank Vincent	Jailer
Kevin Alexander	County Clerk
Shane Doyle	Sheriff
Kyle White	Property Valuation Administrator
Brentley Esters	Coroner

**Appointed Personnel:**

Margret Skaggs	County Treasurer
Melanie Woosley Vincent	Finance Officer

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

**For the Year Ended June 30, 2016**

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

**For the Year Ended June 30, 2016**

	<b>Budgeted Funds</b>		
	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>
<b>RECEIPTS</b>			
Taxes	\$ 983,540	\$	\$
In Lieu Tax Payments	130,993		
Excess Fees	372,109		
Licenses and Permits	28,922		
Intergovernmental	563,073	1,216,701	87,729
Charges for Services	16,769		12,402
Miscellaneous	127,483	59,229	635
Interest	2,721	5,049	26
Total Receipts	<u>2,225,610</u>	<u>1,280,979</u>	<u>100,792</u>
<b>DISBURSEMENTS</b>			
General Government	1,293,340		
Protection to Persons and Property	238,766		335,929
General Health and Sanitation	124,292		
Social Services			
Recreation and Culture	63,242		
Roads		964,431	
Debt Service	1		
Administration	263,074	145,931	10,026
Total Disbursements	<u>1,982,715</u>	<u>1,110,362</u>	<u>345,955</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>242,895</u>	<u>170,617</u>	<u>(245,163)</u>
<b>Other Adjustments to Cash (Uses)</b>			
Transfers From Other Funds	189,351		260,000
Transfers To Other Funds	(383,990)	(189,351)	
Total Other Adjustments to Cash (Uses)	<u>(194,639)</u>	<u>(189,351)</u>	<u>260,000</u>
Net Change in Fund Balance	48,256	(18,734)	14,837
Fund Balance - Beginning - Restated	527,935	671,841	15,334
Fund Balance - Ending	<u>\$ 576,191</u>	<u>\$ 653,107</u>	<u>\$ 30,171</u>
<b>Composition of Fund Balance</b>			
Bank Balance	\$ 587,651	\$ 724,663	\$ 65,707
Less: Outstanding Checks	(11,460)	(71,556)	(35,536)
Fund Balance - Ending	<u>\$ 576,191</u>	<u>\$ 653,107</u>	<u>\$ 30,171</u>

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

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

<b>Budgeted Funds</b>					
<b>Local Government Economic Assistance Fund</b>	<b>Emergency 911 Fund</b>	<b>Emergency 911 Wireless Fund</b>	<b>Room Tax Fund</b>	<b>Parks and Recreation Fund</b>	<b>Total Funds</b>
\$	\$ 93,812	\$ 175,811	\$ 58,609	\$	\$ 1,311,772
					130,993
					372,109
					28,922
9,678					1,877,181
					29,171
				19,448	206,795
20	53	113		7	7,989
9,698	93,865	175,924	58,609	19,455	3,964,932
					1,293,340
5,899	80,651	121,671			782,916
17,850					142,142
6,000					6,000
			66,634	122,426	252,302
					964,431
					1
	3,862			8,052	430,945
29,749	84,513	121,671	66,634	130,478	3,872,077
(20,051)	9,352	54,253	(8,025)	(111,023)	92,855
14,115				109,875	573,341
					(573,341)
14,115				109,875	
(5,936)	9,352	54,253	(8,025)	(1,148)	92,855
7,210	37,604	87,806	26,337	1,207	1,375,274
\$ 1,274	\$ 46,956	\$ 142,059	\$ 18,312	\$ 59	\$ 1,468,129
\$ 1,274	\$ 48,689	\$ 142,059	\$ 18,312	\$ 59	\$ 1,588,414
	(1,733)				(120,285)
\$ 1,274	\$ 46,956	\$ 142,059	\$ 18,312	\$ 59	\$ 1,468,129

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

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**EDMONSON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**

**June 30, 2016**

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

**A. Reporting Entity**

The financial statement of Edmonson County includes all budgeted and unbudgeted funds under the control of the Edmonson 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 Edmonson County Tourism and Convention Commission would have been included in the reporting entity under accounting principles generally accepted in the United States 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. Audits of the Edmonson County Tourism and Convention Commission can be obtained from the Edmonson County Fiscal Court at the Edmonson County Courthouse, P.O. Box 353, Brownsville, Kentucky 42210.

**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.

**EDMONSON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2016**  
**(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, payments from other counties for housing prisoners, and transfers from the general fund. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the general fund.

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

Emergency 911 Fund - The primary purpose of this fund is to account for the emergency 911 expenses of the county. The primary source of receipts for this fund is the 911 land line telephone surcharge. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the general fund.

Emergency 911 Wireless Fund - The primary purpose of this fund is to account for certain emergency 911 expenses of the county. The primary source of receipts for this fund is the 911 wireless telephone surcharge. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the general fund.

Room Tax Fund - The primary purpose of this fund is to account for the transient room tax collected and submitted to Edmonson County Tourism and Convention Commission. The primary source of receipts for this fund is the transient room tax from lodging establishments.

Parks and Recreation Fund - The primary purpose of this fund is to account for the expenses of the parks and recreation department. The primary sources of receipts for this fund are transfers from the general fund and recreation tax received from the Edmonson County Recreational Tax Board.

**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.

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

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

**D. Budgetary Information (Continued)**

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.

**E. Edmonson County Elected Officials**

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

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

**F. Deposits and Investments**

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

KRS 66.480 authorizes the county to invest in obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**G. Long-term Obligations**

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

**Note 2. Deposits**

The fiscal court maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by

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

**Note 2. Deposits (Continued)**

an agreement between the fiscal court and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

Custodial Credit Risk - Deposits

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

**Note 3. Transfers**

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

	General Fund	Road Fund	Total Transfers In
General Fund	\$	\$ 189,351	\$ 189,351
Jail Fund	260,000		260,000
LGEA Fund	14,115		14,115
Parks and Recreation Fund	109,875		109,875
Total Transfers Out	<u>\$ 383,990</u>	<u>\$ 189,351</u>	<u>\$ 573,341</u>

Reason for transfers:

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

**Note 4. Long-term Debt**

**A. General Obligation Refunding Lease, Series 2012**

On August 13, 2012, the Edmonson County Fiscal Court entered into a General Obligation Refunding Lease Agreement, Series 2012, with Fifth Third Bank for \$750,983 to advance refund the First Mortgage Revenue Refunding Bonds, Series 2004, issued by the Edmonson County Public Properties Corporation. During fiscal year 2016, the Administrative Office of the Courts, Commonwealth of Kentucky, paid debt service of \$82,307 on behalf of the Edmonson County Fiscal Court. Principal is payable annually on March 1 and interest is payable semiannually on September 1 and March 1. Interest rate is 2.17 percent. The maturity date of the lease is March 1, 2023. As of June 30, 2016, the principal balance was \$506,982. Future principal and interest requirements are:

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

**Note 4. Long-term Debt (Continued)**

**A. General Obligation Refunding Lease, Series 2012 (Continued)**

Fiscal Year Ending June 30	Principal	Scheduled Interest
2017	\$ 88,966	\$ 11,001
2018	67,777	9,071
2019	71,757	7,600
2020	75,617	6,043
2021	79,178	4,402
2022-2023	123,687	3,793
Totals	\$ 506,982	\$ 41,910

**B. Changes in Long-term Debt**

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Refunding Lease	\$ 576,773	\$	\$ 69,791	\$ 506,982	\$ 88,966
Total Long-term Debt	\$ 576,773	\$ 0	\$ 69,791	\$ 506,982	\$ 88,966

**Note 5. Litigation**

**A. Civil Action 12-CI-00039**

On February 29, 2012, the former Edmonson County Judge/Executive, and the Edmonson County Fiscal Court filed litigation in Edmonson County Circuit Court against the former Edmonson County Clerk, requesting a judgment in the amount of \$24,771. This amount is obtained from the audit report for calendar year 2010 released by the Auditor of Public Accounts, Commonwealth of Kentucky. A portion of this, \$20,103, is due to the former county clerk exceeding the deputies' maximum salary limitation set by the fiscal court for calendar year 2010 and \$4,668 of this amount is excess fees due to the fiscal court for calendar year 2010. In addition, the fiscal court seeks recovery of costs, expenses, attorney's fees, and recovery of prejudgment and post judgment interest as may be available under applicable law.

On May 22, 2012, the former Edmonson County Clerk countersued requesting declaratory judgments that the fiscal court is without authority to amend the county clerk's budget without his accord; and that the annual budgets of the Edmonson County Clerk's office passed by the Edmonson County Fiscal Court were arbitrary, unreasonable and contrary to law thereby nullifying any claims of the fiscal court relative to overtures. In addition, the countersuit seeks award of the former county clerk's costs and attorney's fees. This case is currently pending in Edmonson County Circuit Court.

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

**Note 5. Litigation (Continued)**

**B. Civil Action 13-CI-00109**

On September 4, 2013, the former Edmonson County Judge/Executive, and the Edmonson County Fiscal Court filed litigation in Edmonson County Circuit Court against the former Edmonson County Clerk, requesting a judgment in the amount of \$13,061. This amount is obtained from the audit report for calendar year 2011 released by the Auditor of Public Accounts, Commonwealth of Kentucky. A portion of this, \$7,035 is due to the former county clerk exceeding the deputies' maximum salary limitation set by the fiscal court for calendar year 2011 and \$6,026 of this amount is excess fees due to the fiscal court for calendar year 2011. In addition, the fiscal court seeks recovery of costs, expenses, attorney's fees, and recovery of prejudgment and post judgment interest as may be available under applicable law.

On September 24, 2013, the former Edmonson County Clerk countersued requesting declaratory judgments that the fiscal court is without authority to amend the county clerk's budget without his accord; and that the annual budgets of the Edmonson County Clerk's office passed by the Edmonson County Fiscal Court were arbitrary, unreasonable and contrary to law thereby nullifying any claims of the fiscal court relative to overtures. In addition, the countersuit seeks award of the former county clerk's costs and attorney's fees. This case is currently pending in Edmonson County Circuit Court.

**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 17.06 percent.

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

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

**Note 6. Employee Retirement System (Continued)**

**A. Plan Description (Continued)**

The county's contribution for FY 2014 was \$200,854, FY 2015 was \$194,476, and FY 2016 was \$213,956.

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

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

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

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

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

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

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

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

**Note 7. Deferred Compensation**

On March 12, 2003, the Edmonson 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 8. Insurance**

For the fiscal year ended June 30, 2016, the Edmonson County Fiscal Court was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**Note 9. Conduit Debt**

From time to time the fiscal court has issued bonds to provide financial assistance to LifeSkills, Inc. and National Corvette Museum Foundation, Inc., 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 Edmonson County Fiscal Court's name as issuer, the fiscal court has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf it is issued. Neither the fiscal court nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statement.

**Note 10. Prior Period Adjustments**

The beginning balances reported on the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis for the general fund and room tax fund have been restated by an decrease of \$3,277 and \$1,694; respectively, for errors in prior year.

**Note 11. Related Party Transaction**

For fiscal year ended June 30, 2016, Edmonson County Fiscal Court paid a total of \$9,000 to a limited liability corporation for rent on the county attorney's office. The county attorney is a member of the limited liability corporation.



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

**For the Year Ended June 30, 2016**



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

**For the Year Ended June 30, 2016**

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 901,000	\$ 901,000	\$ 983,540	\$ 82,540
In Lieu Tax Payments	120,000	120,000	130,993	10,993
Excess Fees	362,000	362,000	372,109	10,109
Licenses and Permits	25,000	25,000	28,922	3,922
Intergovernmental	626,050	626,050	563,073	(62,977)
Charges for Services	11,000	11,000	16,769	5,769
Miscellaneous	56,500	111,477	127,483	16,006
Interest	5,000	5,000	2,721	(2,279)
Total Receipts	<u>2,106,550</u>	<u>2,161,527</u>	<u>2,225,610</u>	<u>64,083</u>
<b>DISBURSEMENTS</b>				
General Government	1,317,100	1,430,164	1,293,340	136,824
Protection to Persons and Property	293,800	292,635	238,766	53,869
General Health and Sanitation	185,700	138,178	124,292	13,886
Recreation and Culture	101,400	70,750	63,242	7,508
Debt Service	1	1	1	
Administration	326,800	349,050	263,074	85,976
Total Disbursements	<u>2,224,801</u>	<u>2,280,778</u>	<u>1,982,715</u>	<u>298,063</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(118,251)</u>	<u>(119,251)</u>	<u>242,895</u>	<u>362,146</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	189,351	189,351	189,351	
Transfers To Other Funds	(298,066)	(323,066)	(383,990)	(60,924)
Total Other Adjustments to Cash (Uses)	<u>(108,715)</u>	<u>(133,715)</u>	<u>(194,639)</u>	<u>(60,924)</u>
Net Change in Fund Balance	(226,966)	(252,966)	48,256	301,222
Fund Balance Beginning (Restated)	226,966	252,966	527,935	274,969
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 576,191</u>	<u>\$ 576,191</u>

**EDMONSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For the Year Ended June 30, 2016**  
**(Continued)**

	<b>ROAD FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 1,289,148	\$ 1,314,489	\$ 1,216,701	\$ (97,788)
Miscellaneous	3,000	3,000	59,229	56,229
Interest	3,000	3,000	5,049	2,049
Total Receipts	<u>1,295,148</u>	<u>1,320,489</u>	<u>1,280,979</u>	<u>(39,510)</u>
<b>DISBURSEMENTS</b>				
Roads	1,037,904	1,095,304	964,431	130,873
Capital Projects	20,000			
Administration	146,300	157,269	145,931	11,338
Total Disbursements	<u>1,204,204</u>	<u>1,252,573</u>	<u>1,110,362</u>	<u>142,211</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>90,944</u>	<u>67,916</u>	<u>170,617</u>	<u>102,701</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds	<u>(189,351)</u>	<u>(189,351)</u>	<u>(189,351)</u>	
Total Other Adjustments to Cash (Uses)	<u>(189,351)</u>	<u>(189,351)</u>	<u>(189,351)</u>	
Net Change in Fund Balance	(98,407)	(121,435)	(18,734)	102,701
Fund Balance Beginning	<u>98,407</u>	<u>121,435</u>	<u>671,841</u>	<u>550,406</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 653,107</u>	<u>\$ 653,107</u>

**EDMONSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For the Year Ended June 30, 2016**  
**(Continued)**

<b>JAIL FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 93,000	\$ 93,000	\$ 87,729	\$ (5,271)
Charges for Services	3,100	3,100	12,402	9,302
Miscellaneous	500	500	635	135
Interest	25	25	26	1
Total Receipts	<u>96,625</u>	<u>96,625</u>	<u>100,792</u>	<u>4,167</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	292,250	352,101	335,929	16,172
Administration	9,950	10,099	10,026	73
Total Disbursements	<u>302,200</u>	<u>362,200</u>	<u>345,955</u>	<u>16,245</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(205,575)</u>	<u>(265,575)</u>	<u>(245,163)</u>	<u>20,412</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	<u>205,575</u>	<u>205,575</u>	<u>260,000</u>	<u>54,425</u>
Total Other Adjustments to Cash (Uses)	<u>205,575</u>	<u>205,575</u>	<u>260,000</u>	<u>54,425</u>
Net Change in Fund Balance		(60,000)	14,837	74,837
Fund Balance Beginning		<u>60,000</u>	<u>15,334</u>	<u>(44,666)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 30,171</u>	<u>\$ 30,171</u>

**EDMONSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For the Year Ended June 30, 2016**  
**(Continued)**

**LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 24,000	\$ 24,000	\$ 9,678	\$ (14,322)
Miscellaneous	5,899	5,899		(5,899)
Interest	25	25	20	(5)
Total Receipts	<u>29,924</u>	<u>29,924</u>	<u>9,698</u>	<u>(20,226)</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	6,036	11,935	5,899	6,036
General Health and Sanitation	17,850	17,850	17,850	
Social Services	8,000	8,000	6,000	2,000
Recreation and Culture	355	355		355
Total Disbursements	<u>32,241</u>	<u>38,140</u>	<u>29,749</u>	<u>8,391</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(2,317)</u>	<u>(8,216)</u>	<u>(20,051)</u>	<u>(11,835)</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds			14,115	14,115
Transfers To Other Funds	8,216	8,216		(8,216)
Total Other Adjustments to Cash (Uses)	<u>8,216</u>	<u>8,216</u>	<u>14,115</u>	<u>5,899</u>
Net Change in Fund Balance	5,899		(5,936)	(5,936)
Fund Balance Beginning	<u>(5,899)</u>		<u>7,210</u>	<u>7,210</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,274</u>	<u>\$ 1,274</u>

**EDMONSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For the Year Ended June 30, 2016**  
**(Continued)**

	<b>EMERGENCY 911 FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 90,000	\$ 90,000	\$ 93,812	\$ 3,812
Interest	300	300	53	(247)
Total Receipts	<u>90,300</u>	<u>90,300</u>	<u>93,865</u>	<u>3,565</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	107,860	107,760	80,651	27,109
Administration	4,989	5,089	3,862	1,227
Total Disbursements	<u>112,849</u>	<u>112,849</u>	<u>84,513</u>	<u>28,336</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(22,549)</u>	<u>(22,549)</u>	<u>9,352</u>	<u>31,901</u>
Net Change in Fund Balance	(22,549)	(22,549)	9,352	31,901
Fund Balance Beginning	<u>22,549</u>	<u>22,549</u>	<u>37,604</u>	<u>15,055</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 46,956</u>	<u>\$ 46,956</u>

**EDMONSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For the Year Ended June 30, 2016**  
**(Continued)**

**EMERGENCY 911 WIRELESS FUND**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 105,000	\$ 105,000	\$ 175,811	\$ 70,811
Intergovernmental	70,000	70,000		(70,000)
Interest	500	500	113	(387)
Total Receipts	<u>175,500</u>	<u>175,500</u>	<u>175,924</u>	<u>424</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	<u>175,500</u>	<u>175,500</u>	<u>121,671</u>	<u>53,829</u>
Total Disbursements	<u>175,500</u>	<u>175,500</u>	<u>121,671</u>	<u>53,829</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			<u>54,253</u>	<u>54,253</u>
Net Change in Fund Balance			54,253	54,253
Fund Balance Beginning			<u>87,806</u>	<u>87,806</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 142,059</u>	<u>\$ 142,059</u>



**EDMONSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For the Year Ended June 30, 2016**  
**(Continued)**

	<b>ROOM TAX FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 85,000	\$ 85,000	\$ 58,609	\$ (26,391)
Total Receipts	<u>85,000</u>	<u>85,000</u>	<u>58,609</u>	<u>(26,391)</u>
<b>DISBURSEMENTS</b>				
Recreation and Culture	85,000	79,101	66,634	12,467
Total Disbursements	<u>85,000</u>	<u>79,101</u>	<u>66,634</u>	<u>12,467</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		<u>5,899</u>	<u>(8,025)</u>	<u>(13,924)</u>
Net Change in Fund Balance		5,899	(8,025)	(13,924)
Fund Balance Beginning (Restated)		<u>(5,899)</u>	<u>26,337</u>	<u>32,236</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 18,312</u>	<u>\$ 18,312</u>

**EDMONSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For the Year Ended June 30, 2016**  
**(Continued)**

**PARKS AND RECREATION FUND**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Miscellaneous	\$ 34,000	\$ 34,000	\$ 19,448	\$ (14,552)
Interest	25	25	7	(18)
Total Receipts	<u>34,025</u>	<u>34,025</u>	<u>19,455</u>	<u>(14,570)</u>
<b>DISBURSEMENTS</b>				
Recreation and Culture	104,600	132,300	122,426	9,874
Administration	13,700	11,000	8,052	2,948
Total Disbursements	<u>118,300</u>	<u>143,300</u>	<u>130,478</u>	<u>12,822</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(84,275)</u>	<u>(109,275)</u>	<u>(111,023)</u>	<u>(1,748)</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	84,275	109,275	109,875	600
Total Other Adjustments to Cash (Uses)	<u>84,275</u>	<u>109,275</u>	<u>109,875</u>	<u>600</u>
Net Change in Fund Balance			(1,148)	(1,148)
Fund Balance Beginning			<u>1,207</u>	<u>1,207</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 59</u>	<u>\$ 59</u>

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

**June 30, 2016**

**Note 1. Budgetary Information**

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

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

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Disbursements may not exceed budgeted appropriations at the activity level.

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**EDMONSON COUNTY**  
**SCHEDULE OF CAPITAL ASSETS**  
**Supplementary Information - Regulatory Basis**  
**For the Year Ended June 30, 2016**



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

**For the Year Ended June 30, 2016**

The fiscal court reports the following Schedule of Capital Assets:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Land	\$ 675,269	\$	\$	\$ 675,269
Building and Land Improvements	3,008,705			3,008,705
Equipment and Vehicles	1,860,774			1,860,774
Infrastructure	<u>1,746,402</u>	<u>464,220</u>		<u>2,210,622</u>
 Total Capital Assets	 <u>\$ 7,291,150</u>	 <u>\$ 464,220</u>	 <u>\$ 0</u>	 <u>\$ 7,755,370</u>

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

**June 30, 2016**

**Note 1. Capital Assets**

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

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 25,000	10-60
Buildings	75,000	10-75
Building Improvements	50,000	10-60
Machinery and Equipment	15,000	3-25
Vehicles	15,000	3-10
Infrastructure	50,000	10-50
Office Equipment	10,000	3-15
Office Furniture	1,000	3-15



**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 Wil Cannon, Edmonson County Judge/Executive  
Members of the Edmonson 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 Edmonson County Fiscal Court for the fiscal year ended June 30, 2016 and the related notes to the financial statement which collectively comprise the Edmonson County Fiscal Court's financial statement and have issued our report thereon dated March 27, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statement, we considered the Edmonson 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 Edmonson County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Edmonson County Fiscal Court's internal control.

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

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

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2016-002 to be a significant deficiency.

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 Edmonson 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 2016-001.

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

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

**Purpose of this Report**

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

Respectfully submitted,

*Tichenor & Associates, LLP*

Tichenor & Associates, LLP

March 27, 2017

**EDMONSON COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES**

**For the Year Ended June 30, 2016**



**EDMONSON COUNTY**  
**SCHEDULE OF FINDINGS AND RESPONSES**

**For the Year Ended June 30, 2016**

**STATE LAWS AND REGULATIONS:**

2016-001 The Fiscal Court Did Not Ensure Compliance With Their Section 218 Social Security Agreement

Current year testing revealed the county treasurer, who is the former finance officer, is now subject to social security withholdings since she moved into a new position as of January 2015. The county treasurer has not been subject to social security coverage upon approval by the state social security office. The deficiency was able to occur due to the lack of knowledge in understanding this requirement was in effect if the employee changed positions. Without proper review of employee social security and medicare withholding deductions each year, there is no documented evidence as to why some employees would not have social security taxes withheld and could be improperly reported. Edmonson County's Section 218 agreement with the state social security office revealed that on February 7, 2007, Modification 855 providing social security and medicare coverage for the employees Edmonson County was approved and became in force on April 1, 2007. The employees who voted no remained in the original retirement coverage group. As of July 1, 2014, only two of these employees remained employed by the fiscal court. Since social security coverage is contingent upon the position and not the employee, as long as the two employees who opted to waive social security remain in the position they held when the election was conducted, they are not subject to the social security coverage. If they assume any other position with this employer, they are subject to social security coverage and become part of the coverage group who received social security coverage. In January 2015 one of these employees moved to a new position as noted above.

We recommend the county stay in compliance with their Section 218 agreement regarding social security and medicare coverage by ensuring the county treasurer now becomes subject to social security withholdings upon her change of position. The county should contact the state social security office to determine how to handle wages paid to the county treasurer from January 2015 to present.

Views of Responsible Official and Planned Corrective Action:

*We will fix this.*

**INTERNAL CONTROL - SIGNIFICANT DEFICIENCY:**

2016-002 The Fiscal Court Did Not Have Adequate Internal Controls Over Disbursements

The fiscal court had a control deficiency in internal controls over disbursements. This deficiency resulted from the combination of inadequate segregation of duties of weakly designed and implemented internal controls. As a result, the following internal control deficiency was noted:

- The fiscal court paid sales tax on nine hotel rooms

Proper internal controls over disbursements are important to ensure invoices include proper documentation, are approved by the fiscal court, and sales tax is not paid on invoices. We recommend the fiscal court implement good internal controls over disbursements. We recommend the fiscal court maintain supporting documentation, all disbursements be submitted to the fiscal court for their review, and put procedures in place to prevent sales tax being paid.

Views of Responsible Official and Planned Corrective Action:

*We are also working on this finding.*

**EDMONSON COUNTY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**For the Year Ended June 30, 2016**  
**(Continued)**

**INTERNAL CONTROL - MATERIAL WEAKNESS:**

2016-003 The Fiscal Court Lacks Segregation Of Duties Over Receipts, Disbursements, Reconciliations,  
And Capital Assets

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The fiscal court lacks adequate segregation of duties over receipts, disbursements, reconciliations, and capital assets. The Edmonson County Finance Officer receives the mail, makes copies of the checks, and prepares and takes deposits to the bank. The county treasurer posts the receipts and disbursements to the ledgers, prepares and signs the checks, and reconciles the bank statement monthly. In addition, the county treasurer prepares the financial report. The county treasurer maintains the capital asset listing in a notebook and periodically reviews it.

The condition is a result of a limited budget, which restricts the number of employees the fiscal court can hire or delegate duties to. A lack of segregation of duties increases the fiscal court's risk of misappropriation of assets, errors, and inaccurate financial reporting. Segregation of duties over receipts, disbursements, the reconciliation process, and capital assets or implementation of compensating controls, when needed because the number of staff is limited, is essential for providing protection to employees in the normal course of performing their duties and can also prevent inaccurate financial reporting and misappropriation of assets.

We recommend the fiscal court strengthen internal controls by segregating these duties. If segregation is not possible, due to the limited number of staff, strong oversight should be implemented. The employee providing this oversight should document his or her review by initialing all source documentation.

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

*We are attempting to resolve this problem. I have been comparing the amount on each check with the PO and coversheet and then dating and initialing each cover sheet.*



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

**EDMONSON COUNTY FISCAL COURT**

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

Appendix A




CERTIFICATION OF COMPLIANCE

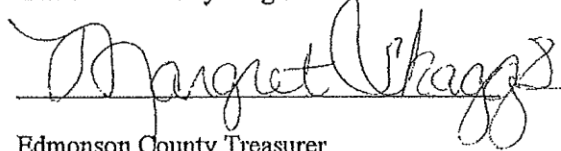
LOCAL GOVERNMENT ECONOMIC ASSISTANCE  
EDMONSON COUNTY FISCAL COURT

For the Fiscal Year Ended June 30, 2016

The Edmonson 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.

  
\_\_\_\_\_

Edmonson County Judge/Executive

  
\_\_\_\_\_

Edmonson County Treasurer

