

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

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



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

June 30, 2016

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

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

Financial Condition:

The Trigg County Fiscal Court had total receipts of \$8,201,261 and disbursements of \$10,954,044 in fiscal year 2016. This resulted in a total ending fund balance of \$3,441,611, which is a decrease of \$399,868 from the prior year.

Findings:

- 2016-001 The Fiscal Court Lacks Internal Controls Over Receipt Processes
- 2016-002 The Fiscal Court Lacks Controls Over Bank Accounts And Reconciliations
- 2016-003 The Fiscal Court Failed To Approve All Cash Transfers
- 2016-004 The Fiscal Court Did Not Advertise For Bids In Accordance With KRS 424.260
- 2016-005 The Fiscal Court Failed To Disclose Outstanding Debt On Quarterly Financial Statements
- 2016-006 The Fiscal Court Lacks Adequate Internal Controls Over Payroll
- 2016-007 The County Treasurer Failed To Sign All County Checks
- 2016-008 The Fiscal Court Did Not Have Adequate Controls Over Reporting Of Capital Assets

Deposits:

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

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

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

Independent Auditor's Report

Report on the Financial Statement

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Trigg County Fiscal Court, for the year ended June 30, 2016, and the related notes to the financial statement which collectively comprise the Trigg 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 Trigg 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 Trigg 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 Trigg 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 Trigg County Fiscal Court. The Budgetary Comparison Schedules and Capital Asset Schedule are presented for purposes of additional analysis and are not a required part of the financial statement; however, they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

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

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

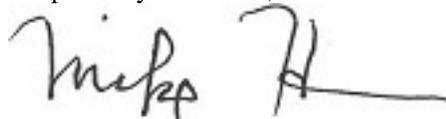
Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2018, on our consideration of the Trigg 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 Trigg 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 Lacks Internal Controls Over Receipt Processes
- 2016-002 The Fiscal Court Lacks Controls Over Bank Accounts And Reconciliations
- 2016-003 The Fiscal Court Failed To Approve All Cash Transfers
- 2016-004 The Fiscal Court Did Not Advertise For Bids In Accordance With KRS 424.260
- 2016-005 The Fiscal Court Failed To Disclose Outstanding Debt On Quarterly Financial Statements
- 2016-006 The Fiscal Court Lacks Adequate Internal Controls Over Payroll
- 2016-007 The County Treasurer Failed To Sign All County Checks
- 2016-008 The Fiscal Court Did Not Have Adequate Controls Over Reporting Of Capital Assets

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

March 23, 2018

TRIGG COUNTY OFFICIALS

For The Year Ended June 30, 2016

Fiscal Court Members:

Hollis Alexander	County Judge/Executive
Mike Wright	Magistrate
Scotty Hampton	Magistrate
Jon Goodwin	Magistrate
Jeff Broadbent	Magistrate
John Gray	Magistrate
Larry Lawrence	Magistrate
Donnie Tyler	Magistrate

Other Elected Officials:

Randall Braboy	County Attorney
James Hughes	Jailer
Carmen Finley	County Clerk
Pam Perry	Circuit Court Clerk
Ray Burham, II	Sheriff
Michael Bryan	Property Valuation Administrator
John Mark Vinson	Coroner

Appointed Personnel:

Tammy Groves	County Treasurer
Karen Oakley	Chief Financial Officer

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

For The Year Ended June 30, 2016

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

For The Year Ended June 30, 2016

	<u>Budgeted Funds</u>		
	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>
RECEIPTS			
Taxes	\$ 2,720,810	\$	\$
In Lieu Tax Payments	304,952	377,004	
Excess Fees	142,731		
Licenses and Permits	3,507		
Intergovernmental	720,662	1,639,819	104,454
Charges for Services	99,152		1,332
Miscellaneous	252,527	57,019	5,875
Interest	1,647	3,617	76
Total Receipts	<u>4,245,988</u>	<u>2,077,459</u>	<u>111,737</u>
DISBURSEMENTS			
General Government	1,608,338		
Protection to Persons and Property	963,186		323,069
General Health and Sanitation	2,426,561		
Social Services	11,168		
Recreation and Culture	453,792		
Roads		2,104,874	
Debt Service	97,665		
Capital Projects	106,777		
Administration	622,180	267,100	29,464
Total Disbursements	<u>6,289,667</u>	<u>2,371,974</u>	<u>352,533</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(2,043,679)</u>	<u>(294,515)</u>	<u>(240,796)</u>
Other Adjustments to Cash (Uses)			
Bond Proceeds	2,325,000		
Bond Premium	51,101		
Underwriter Discount	(23,186)		
Transfers From Other Funds	80,000		179,598
Transfers To Other Funds	(250,000)		
Total Other Adjustments to Cash (Uses)	<u>2,182,915</u>		<u>179,598</u>
Net Change in Fund Balance	139,236	(294,515)	(61,198)
Fund Balance - Beginning (Restated)	1,605,013	1,474,995	81,251
Fund Balance - Ending	<u>\$ 1,744,249</u>	<u>\$ 1,180,480</u>	<u>\$ 20,053</u>
Composition of Fund Balance			
Bank Balance	\$ 1,837,888	\$ 1,131,037	\$ 20,593
Plus: Deposits In Transit		50,000	
Less: Outstanding Checks	<u>(93,639)</u>	<u>(557)</u>	<u>(540)</u>
Fund Balance - Ending	<u>\$ 1,744,249</u>	<u>\$ 1,180,480</u>	<u>\$ 20,053</u>

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

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

<u>Budgeted Funds</u>			<u>Unbudgeted Fund</u>	
<u>Local Government Economic Assistance Fund</u>	<u>Sheriff Fund</u>	<u>Escrow ABC Fund</u>	<u>Public Justice Center Corporation Fund</u>	<u>Total Funds</u>
\$	\$	\$	\$	\$ 2,720,810
				681,956
				142,731
		8,105		11,612
58,895	485,809		807,008	3,816,647
				100,484
		113,148	291,940	720,509
89	252	829	2	6,512
<u>58,984</u>	<u>486,061</u>	<u>122,082</u>	<u>1,098,950</u>	<u>8,201,261</u>
	576,879	86,520		2,271,737
				1,286,255
53,936				2,480,497
				11,168
				453,792
				2,104,874
			1,096,698	1,194,363
				106,777
	109,442		16,395	1,044,581
<u>53,936</u>	<u>686,321</u>	<u>86,520</u>	<u>1,113,093</u>	<u>10,954,044</u>
5,048	(200,260)	35,562	(14,143)	(2,752,783)
				2,325,000
				51,101
				(23,186)
	100,000			359,598
		(109,598)		(359,598)
	<u>100,000</u>	<u>(109,598)</u>		<u>2,352,915</u>
5,048	(100,260)	(74,036)	(14,143)	(399,868)
73,123	156,216	435,352	15,529	3,841,479
<u>\$ 78,171</u>	<u>\$ 55,956</u>	<u>\$ 361,316</u>	<u>\$ 1,386</u>	<u>\$ 3,441,611</u>
\$ 78,171	\$ 56,565	\$ 361,316	\$ 1,386	\$ 3,486,956
				50,000
	(609)			(95,345)
<u>\$ 78,171</u>	<u>\$ 55,956</u>	<u>\$ 361,316</u>	<u>\$ 1,386</u>	<u>\$ 3,441,611</u>

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

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TRIGG COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2016

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statement of Trigg County includes all budgeted and unbudgeted funds under the control of the Trigg 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 Trigg County Hospital would have been included in the reporting entity under accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. However under the regulatory basis they are no longer are required components of the reporting entity. Audits of the entity can be obtained from the Trigg County Fiscal Court at 38 Main Street, Cadiz, Kentucky 42211.

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.

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (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 governments, payments from other counties for housing prisoners, and transfers from the general fund. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the general fund.

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

Sheriff Fund - The primary purpose of this fund is to account for the expenses of the county sheriff's office. The primary sources of receipts for this fund are fines and tax commissions.

Escrow ABC Fund - The primary purpose of this fund is to account for the expenses for alcohol beverage control for the county. The primary sources of receipts for this fund are local alcohol sales taxes and alcohol vendor licenses.

Unbudgeted Funds

The fiscal court reports the following unbudgeted fund:

Public Justice Center Corporation 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 public buildings.

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 Public Justice Center Corporation Fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually.

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

Note 1. Summary of Significant Accounting Policies (Continued)

E. Trigg County Elected Officials

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

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

F. Deposits and Investments

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

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

G. Long-term Obligations

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

Note 2. Deposits

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

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

Note 2. Deposits (Continued)

Custodial Credit Risk - Deposits

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

Note 3. Transfers

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

	General Fund	ABC Escrow Fund	Total Transfers In
General Fund	\$	\$ 80,000	\$ 80,000
Jail Fund	150,000	29,598	179,598
Sheriff Fund	100,000		100,000
Total Transfers Out	<u>\$ 250,000</u>	<u>\$ 109,598</u>	<u>\$ 359,598</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. Trigg County Public Justice Center Corporation Lease Revenue Bonds, Series 2007

On September 26, 2007, the Trigg County Public Properties Corporation issued Lease Revenue Bonds, Series 2007, to provide funding for the construction of the Trigg County Judicial Center and for the retirement of General Obligation Anticipation Notes, Series 2006. The total bond issue was in the amount of \$12,280,000, with interest rates varying between 4.4084 percent and 4.5096 percent. Interest is payable on March 1 and September 1 of each year. Principal is payable annually on September 1. The Trigg County Fiscal Court entered into a lease agreement with the Kentucky Administrative Office of the Courts in order to provide funding to meet annual debt service requirements. These bonds were partially refunded with the Series 2015 bond issuance. Total principal balance outstanding as of June 30, 2016, was \$1,745,000. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2017	\$ 560,000	\$ 59,850
2018	580,000	37,050
2019	<u>605,000</u>	<u>13,350</u>
Totals	<u>\$ 1,745,000</u>	<u>\$ 110,250</u>

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

Note 4. Long-term Debt (Continued)

B. Trigg County Public Justice Center Corporation Lease Revenue Bonds, Series 2015

On April 23, 2015, the Trigg County Public Properties Corporation issued Lease Revenue Bonds, Series 2015, to partially refund the Lease Revenue Bonds, Series 2007. The total bond issue was in the amount of \$7,175,000, with an interest rate of 3 percent. Interest is payable on March 1 and September 1 of each year. Principal is payable annually on September 1, beginning on September 1, 2019. Total principal balance outstanding as of June 30, 2016, was \$7,175,000. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Interest
2017	\$	\$ 217,250
2018		216,250
2019		216,250
2020	705,000	205,675
2021	730,000	184,150
2022-2026	3,975,000	575,375
2027-2031	1,765,000	54,325
Totals	<u>\$ 7,175,000</u>	<u>\$ 1,669,275</u>

C. Trigg County Hospital Financing Agreement

On February 26, 2016, the Trigg County Fiscal Court entered into a financing agreement with the Kentucky Association of Counties to provide needed funding to the Trigg County Hospital. The total amount financed was \$7,175,000, with an interest rate of 3 percent. Interest is payable on June 20 and December 20 of each year. Principal is payable annually on December 20. Total principal balance outstanding as of June 30, 2016, was \$2,025,000. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2017	\$ 115,000	\$ 56,325
2018	115,000	54,075
2019	115,000	51,488
2020	120,000	48,850
2021	125,000	46,100
2022-2026	660,000	181,200
2027-2031	775,000	67,812
Totals	<u>\$ 2,025,000</u>	<u>\$ 505,850</u>

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

Note 4. Long-term Debt (Continued)

D. Trigg County Dispatch Service Financing Agreement

On October 25, 2012, the Trigg County Fiscal Court entered into a financing agreement with Kansas State Bank of Manhattan to pay for the purchase of dispatching equipment. The total amount financed was \$350,266, with an interest rate of 3 percent. Interest and principal are payable monthly on the first day of the month. Total principal balance outstanding as of June 30, 2016, was \$93,044. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2017	\$ 67,839	\$ 1,976
2018	25,205	182
Totals	<u>\$ 93,044</u>	<u>\$ 2,158</u>

E. Trigg County Senior Citizens Center

On December 16, 2010, the Trigg County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties to refinance the Senior Citizens Center. The lease agreement was in the amount of \$650,000, with an interest rate of 4.99 percent. Interest and principal are payable monthly on the first day of the month. Total principal balance outstanding as of June 30, 2016, was \$572,500. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2017	\$ 13,750	\$ 26,680
2018	15,000	28,456
2019	15,000	27,781
2020	15,000	27,106
2021	17,083	26,431
2022-2026	102,083	119,256
2027-2031	132,083	92,261
2032-2036	162,084	54,925
2037-2041	100,417	10,985
Totals	<u>\$ 572,500</u>	<u>\$ 413,881</u>

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

Note 4. Long-term Debt (Continued)

F. Trigg County Sheriff's Office Promissory Note

On January 27, 2016, the Trigg County Fiscal Court entered into a promissory note with the Bank of Cadiz & Trust Company in order to purchase a new building for the sheriff's office. The note was in the amount of \$300,000, with an interest rate of 2.5 percent. Interest and principal payments are payable as of January 15 each year. Total principal balance outstanding as of June 30, 2016, was \$300,000. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2017	\$ 57,074	\$ 7,500
2018	58,501	6,073
2019	59,963	4,611
2020	61,463	3,111
2021	62,999	1,575
Totals	<u>\$ 300,000</u>	<u>\$ 22,870</u>

G. 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
Revenue Bonds	\$ 9,460,000	\$	\$ 540,000	\$ 8,920,000	\$ 560,000
Financing Obligations	752,142	2,325,000	86,598	2,990,544	253,663
Total Long-term Debt	<u>\$ 10,212,142</u>	<u>\$ 2,325,000</u>	<u>\$ 626,598</u>	<u>\$ 11,910,544</u>	<u>\$ 813,663</u>

Note 5. Employee Retirement System

Plan Description

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

Nonhazardous covered employees are required to contribute five percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008, are required to contribute six percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 17.06 percent.

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

Note 5. Employee Retirement System (Continued)

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

The county's contribution for FY 2014 was \$321,224, FY 2015 was \$309,197, and FY 2016 was \$313,395.

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

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

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

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

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

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

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

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

Note 6. Deferred Compensation

The Trigg 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 7. Health Reimbursement Account/Flexible Spending Account

The Trigg County Fiscal Court established a flexible spending account to provide employees an additional health benefit. The county has contracted with a third-party administrator to administer the plan. The plan provides \$1,700 to employees that only take the regular county insurance plan or decline county insurance. The balance of the plan is \$22,898 at June 30, 2016.

Note 8. Insurance

For the fiscal year ended June 30, 2016, the Trigg 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. Prior Period Adjustments

The beginning balance of the Public Justice Center Corporation Fund has been increased by \$15,155 due to a bank account balance not being included in the prior year total.

The beginning balance of the jail fund has been increased by \$150 due to prior year outstanding checks being voided.

Prior Year Cash Balance	\$ 3,826,173
Add:	
Jail Fund Voided Check	150
Jail Fund Rounding Error	1
Public Justice Center Fund Omitted Account	15,155
Prior Year Cash Balance- Restated	<u>\$ 3,841,479</u>

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TRIGG COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2016

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TRIGG COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2016

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 2,522,500	\$ 2,522,500	\$ 2,720,810	\$ 198,310
In Lieu Tax Payments	193,000	193,000	304,952	111,952
Excess Fees	127,115	127,115	142,731	15,616
Licenses and Permits	750	2,200	3,507	1,307
Intergovernmental	715,200	765,376	720,662	(44,714)
Charges for Services	105,000	105,000	99,152	(5,848)
Miscellaneous	85,000	85,000	252,527	167,527
Interest	2,000	2,000	1,647	(353)
Total Receipts	<u>3,750,565</u>	<u>3,802,191</u>	<u>4,245,988</u>	<u>443,797</u>
DISBURSEMENTS				
General Government	1,184,702	1,689,326	1,608,338	80,988
Protection to Persons and Property	919,223	1,099,471	963,186	136,285
General Health and Sanitation	398,720	2,455,649	2,426,561	29,088
Social Services	27,500	27,500	11,168	16,332
Recreation and Culture	474,001	474,001	453,792	20,209
Debt Service	46,101	46,101	97,665	(51,564)
Capital Projects	100,000	106,884	106,777	107
Administration	997,616	678,853	622,180	56,673
Total Disbursements	<u>4,147,863</u>	<u>6,577,785</u>	<u>6,289,667</u>	<u>288,118</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(397,298)</u>	<u>(2,775,594)</u>	<u>(2,043,679)</u>	<u>731,915</u>
Other Adjustments to Cash (Uses)				
Borrowed Money		2,300,000	2,325,000	25,000
Bond Premium			51,101	51,101
Underwriter Discount			(23,186)	(23,186)
Transfers From Other Funds	80,500	80,500	80,000	(500)
Transfers To Other Funds	(768,593)	(768,593)	(250,000)	518,593
Total Other Adjustments to Cash (Uses)	<u>(688,093)</u>	<u>1,611,907</u>	<u>2,182,915</u>	<u>571,008</u>
Net Change in Fund Balance	(1,085,391)	(1,163,687)	139,236	1,302,923
Fund Balance - Beginning	<u>1,085,391</u>	<u>1,085,391</u>	<u>1,605,013</u>	<u>519,622</u>
Fund Balance - Ending	<u>0</u>	<u>\$ (78,296)</u>	<u>\$ 1,744,249</u>	<u>\$ 1,822,545</u>

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

	ROAD FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)	
	Original	Final			
RECEIPTS					
In Lieu Tax Payments	\$		\$ 62,038	\$ 377,004	\$ 314,966
Intergovernmental		1,623,300	1,623,300	1,639,819	16,519
Miscellaneous		5,000	38,238	57,019	18,781
Interest		2,000	2,000	3,617	1,617
Total Receipts		<u>1,630,300</u>	<u>1,725,576</u>	<u>2,077,459</u>	<u>351,883</u>
DISBURSEMENTS					
Roads		1,455,874	2,276,350	2,104,874	171,476
Administration		529,500	554,300	267,100	287,200
Total Disbursements		<u>1,985,374</u>	<u>2,830,650</u>	<u>2,371,974</u>	<u>458,676</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		<u>(355,074)</u>	<u>(1,105,074)</u>	<u>(294,515)</u>	<u>810,559</u>
Net Change in Fund Balance		(355,074)	(1,105,074)	(294,515)	810,559
Fund Balance - Beginning		<u>355,074</u>	<u>1,105,074</u>	<u>1,474,995</u>	<u>369,921</u>
Fund Balance - Ending	\$	<u>0</u>	\$ <u>0</u>	\$ <u>1,180,480</u>	\$ <u>1,180,480</u>

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

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 96,000	\$ 96,000	\$ 104,454	\$ 8,454
Charges for Services	4,000	4,000	1,332	(2,668)
Miscellaneous			5,875	5,875
Interest	100	100	76	(24)
Total Receipts	<u>100,100</u>	<u>100,100</u>	<u>111,737</u>	<u>11,637</u>
DISBURSEMENTS				
Protection to Persons and Property	497,600	539,000	323,069	215,931
Administration	72,800	62,698	29,464	33,234
Total Disbursements	<u>570,400</u>	<u>601,698</u>	<u>352,533</u>	<u>249,165</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(470,300)</u>	<u>(501,598)</u>	<u>(240,796)</u>	<u>260,802</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>470,300</u>	<u>470,300</u>	<u>179,598</u>	<u>(290,702)</u>
Total Other Adjustments to Cash (Uses)	<u>470,300</u>	<u>470,300</u>	<u>179,598</u>	<u>(290,702)</u>
Net Change in Fund Balance		(31,298)	(61,198)	(29,900)
Fund Balance - Beginning (Restated)			<u>81,251</u>	<u>81,251</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (31,298)</u>	<u>\$ 20,053</u>	<u>\$ 51,351</u>

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

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 34,000	\$ 34,000	\$ 58,895	\$ 24,895
Interest	100	100	89	(11)
Total Receipts	<u>34,100</u>	<u>34,100</u>	<u>58,984</u>	<u>24,884</u>
DISBURSEMENTS				
General Health and Sanitation	26,000	55,000	53,936	1,064
Administration	14,100	5,100		5,100
Total Disbursements	<u>40,100</u>	<u>60,100</u>	<u>53,936</u>	<u>6,164</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(6,000)</u>	<u>(26,000)</u>	<u>5,048</u>	<u>31,048</u>
Net Change in Fund Balance	(6,000)	(26,000)	5,048	31,048
Fund Balance - Beginning	<u>6,000</u>	<u>26,000</u>	<u>73,123</u>	<u>47,123</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 78,171</u>	<u>\$ 78,171</u>

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

SHERIFF FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 435,000	\$ 435,000	\$ 485,809	\$ 50,809
Miscellaneous	3,000	3,000		(3,000)
Interest	250	250	252	2
Total Receipts	<u>438,250</u>	<u>438,250</u>	<u>486,061</u>	<u>47,811</u>
DISBURSEMENTS				
General Government	616,543	616,597	576,879	39,718
Administration	120,000	119,946	109,442	10,504
Total Disbursements	<u>736,543</u>	<u>736,543</u>	<u>686,321</u>	<u>50,222</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(298,293)</u>	<u>(298,293)</u>	<u>(200,260)</u>	<u>98,033</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>298,293</u>	<u>298,293</u>	<u>100,000</u>	<u>(198,293)</u>
Total Other Adjustments to Cash (Uses)	<u>298,293</u>	<u>298,293</u>	<u>100,000</u>	<u>(198,293)</u>
Net Change in Fund Balance			(100,260)	(100,260)
Fund Balance - Beginning			<u>156,216</u>	<u>156,216</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 55,956</u>	<u>\$ 55,956</u>

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

ESCROW ABC FUND				
	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
RECEIPTS				
Licenses and Permits	\$ 5,500	\$ 5,500	\$ 8,105	\$ 2,605
Miscellaneous	125,000	125,000	113,148	(11,852)
Interest	500	500	829	329
Total Receipts	<u>131,000</u>	<u>131,000</u>	<u>122,082</u>	<u>(8,918)</u>
DISBURSEMENTS				
General Government	82,500	88,837	86,520	2,317
Administration	100,000	44,065		44,065
Total Disbursements	<u>182,500</u>	<u>132,902</u>	<u>86,520</u>	<u>46,382</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(51,500)</u>	<u>(1,902)</u>	<u>35,562</u>	<u>37,464</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	<u>(80,500)</u>	<u>(80,500)</u>	<u>(109,598)</u>	<u>(29,098)</u>
Total Other Adjustments to Cash (Uses)	<u>(80,500)</u>	<u>(80,500)</u>	<u>(109,598)</u>	<u>(29,098)</u>
Net Change in Fund Balance	(132,000)	(82,402)	(74,036)	8,366
Fund Balance - Beginning	<u>132,000</u>	<u>192,000</u>	<u>435,352</u>	<u>243,352</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 109,598</u>	<u>\$ 361,316</u>	<u>\$ 251,718</u>

TRIGG COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2016

Note 1. Budgetary Information

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

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

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

Note 2. Excess of Disbursements Over Appropriations

General fund debt service disbursements exceeded budgeted appropriations by \$51,564.

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TRIGG COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2016

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TRIGG COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2016

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 468,158	\$	\$	\$ 468,158
Construction In Progress		49,282		49,282
Buildings	16,742,736	372,607		17,115,343
Vehicles and Equipment	2,784,399	429,654	56,314	3,157,739
Infrastructure	5,511,232	634,166		6,145,398
Total Capital Assets	<u>\$ 25,506,525</u>	<u>\$ 1,485,709</u>	<u>\$ 56,314</u>	<u>\$ 26,935,920</u>

TRIGG 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.

	<u>Capitalization Threshold</u>	<u>Useful Life (Years)</u>
Land Improvements	\$ 25,000	10-60
Buildings and Building Improvements	\$ 75,000	10-75
Equipment	\$ 25,000	3-25
Vehicles	\$ 20,000	3-25
Infrastructure	\$ 600,000	10-50

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

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Hollis Alexander, Trigg County Judge/Executive
Members of the Trigg 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 Trigg County Fiscal Court for the fiscal year ended June 30, 2016, and the related notes to the financial statement which collectively comprise the Trigg County Fiscal Court's financial statement and have issued our report thereon dated March 23, 2018.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2016-001, 2016-002, 2016-003, 2016-005, 2016-006, and 2016-008 to be material weaknesses.



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

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Trigg 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. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2016-001, 2016-002, 2016-003, 2016-004, 2016-005, 2016-007, and 2016-008.

Views of Responsible Officials and Planned Corrective Action

Trigg 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,

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

Mike Harmon
Auditor of Public Accounts

March 23, 2018

**TRIGG COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2016

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TRIGG COUNTY
SCHEDULE OF FINDINGS AND RESPONSES

Fiscal Year Ended June 30, 2016

FINANCIAL STATEMENT FINDINGS:

2016-001 The Fiscal Court Lacks Internal Controls Over Receipt Processes

The Trigg County Fiscal Court has not implemented adequate internal controls over receipt processes for the county. As a result, the following issues were noted during the audit:

The Trigg County Fiscal Court does not have segregation of duties over receipts or reconciliations. The county treasurer collects money, creates the deposit ticket, takes the deposit to the bank, records the receipt in the ledger, and reconciles the bank accounts. There are no independent reviews of these procedures currently in place.

Adequate documentation was not maintained over alcohol tax and transient room tax collections. Both types of receipts were not deposited daily. Deposits were being held by the county treasurer until all of the businesses had turned in their payment for the month. Some of the tax returns received were not stamped as to when received, which made it impossible to determine when it was received at the courthouse. There were also seven alcohol tax returns and one transient room tax return tested that were never received by the county treasurer. There was no documentation of follow-up on these missing returns. In addition, there were 11 transient room tax returns that the treasurer stated she had received that could not be located.

Additionally, there were insufficient internal controls implemented over off-site receipts. The fiscal court receives money from the recycling center, sports complex building rentals, and sports complex concession stand sales. Receipts were not issued to customers at the recycling center. Recycling receipts were remitted to the county treasurer on a weekly basis. The concession stand at the sports complex used a cash register for collecting sales, but the register tapes were illegible and could not be used by the county treasurer to verify sale amounts. Sports complex rental fees are placed on a receipt, however, the sports complex director does not maintain a record of these rentals as the two copies of the receipts are given to the customer and to the county treasurer.

These issues were due to the fact that the fiscal court has not implemented internal controls over all areas of the receipt process. The fiscal court lacked cognizance of the risks associated with these areas without the proper internal controls. Additionally, the fiscal court cannot ensure that all receipts are accounted for properly. Without requiring adequate documentation, proper collection procedures, and sufficient supervisor oversight, the fiscal court is increasing the risk of misappropriation of county assets and fraud occurring in these areas.

Good internal controls over receipts require that the fiscal court implement adequate procedures and checks over all types of receipts. Proper segregation of duties over these areas helps ensure that the risks of fraud are minimized and that no one individual has too much control over any process. By requiring proper collection procedures to be implemented over all receipts of the county, the fiscal court can ensure that all taxpayer funds are handled appropriately and are available for the needs of the county. Additionally, KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. This uniform system of accounts, as outlined in the *County Budget Preparation and State Local Finance Officer Policy Manual* require daily deposits. KRS 64.840 also requires that any receipt for a fine, forfeiture, tax, or fee to a county official should have triplicate receipt copies, with one copy given to the person paying the fine, forfeiture, tax, or fee, one copy retained for recordkeeping, and one copy placed with the daily bank deposit.

We recommend the fiscal court segregate the duties over the receipts processes whenever possible. When this isn't feasible, compensating controls should be implemented and documented over the processes.

TRIGG COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
Fiscal Year Ended June 30, 2016
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-001 The Fiscal Court Lacks Internal Controls Over Receipt Processes (Continued)

We also recommend the fiscal court strengthen internal controls over alcohol tax, transient room tax, and off-site receipts to ensure that these funds are accounted for properly throughout the entire process. Additionally, triplicate receipts should be issued for all receipts and deposits should be made daily.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: The Fiscal Court is going to segregate some of these duties when possible, although sometimes lack of personnel creates an issue having the correct number of people to perform all task. There are now in fact daily deposits being done as suggested. The court will take every measure possible to insure internal controls will start immediately.

2016-002 The Fiscal Court Lacks Internal Controls Over Bank Accounts and Reconciliations

The fiscal court had no internal controls over bank accounts and reconciliations. The treasurer failed to maintain any types of ledgers for the financial activity, or reconcile the accounts of the Public Justice Center Corporation (PJCC). There was no financial statement prepared for the PJCC. Additionally, the year-end bank reconciliation for the county payroll account was inaccurate. Outstanding payroll checks that had not been cleared or voided were left off of the outstanding check list which overstated the payroll account by \$1,974.

Failure to maintain proper records for these funds occurred due to lack of internal controls over bank accounts, a lack of understanding about the Public Justice Center Corporation accounting requirements, and a computer error on the accounting software. The lack of accounting records and related financial statements resulted in non-compliance with the Department for Local Government reporting requirements. By not having adequate controls over bank accounts and reconciliations, the fiscal court cannot ensure that county funds are properly safeguarded and available for county use.

KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. The Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual* documents the minimum requirements for handling public funds, which include monthly bank reconciliations and books of original entry for receipts and expenditures. In addition, good internal controls dictate that all funds handling financial obligations of the county be accounted for properly and reviewed on a regular basis. This would include receipts and disbursements ledgers, an accurate bank reconciliation, as well as a financial statement for the PJCC fund.

We recommend the fiscal court prepare and maintain ledgers for receipts and disbursements of the PJCC Fund. We also recommend the fiscal court require the preparation of accurate year-end financial statements for the PJCC fund in order to ensure compliance with DLG requirements and also to ensure fiscal debt responsibilities will be met. We also recommend that a bank reconciliation be performed for all bank accounts owned or managed by the fiscal court. This reconciliation should include a comparison of ledger amounts recorded to the figures presented by the bank. We recommend that all bank reconciliations should be checked for accuracy and outstanding checks should be followed up timely.

TRIGG COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
Fiscal Year Ended June 30, 2016
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-002 The Fiscal Court Lacks Internal Controls Over Bank Accounts and Reconciliations (Continued)

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: The Fiscal Court will maintain ledgers and receipts of the PJCC Fund. Going forward we will take every measure possible to ensure compliance with DLG requirements. All proper reconciliations will be done and checked for accuracy from this point forward.

2016-003 The Fiscal Court Failed To Approve All Cash Transfers

There were four cash transfers made within the funds of the Trigg County Fiscal Court totaling \$359,598. Two cash transfers totaling \$250,000 were never approved by the fiscal court. One of the two approved cash transfers, in the amount of \$29,598, was not approved by the fiscal court until the transaction had already taken place. This was caused by an oversight by the county treasurer and a lack of understanding on the applicable requirements on cash transfers. By not having all cash transfers approved by the fiscal court, the fiscal court might not be able to evaluate the current financial standing of the county. Issues such as lower revenue generation could be overlooked.

KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. Per the *County Budget Preparation and State Local Finance Officer Policy Manual*, all transfers require a court order. This means that court orders are to be obtained prior to cash transfers being made. Additionally, good internal controls dictate that cash transfers be approved by the fiscal court prior to being made so that the fiscal court is aware that cash is being moved from one fund to another.

We recommend the fiscal court require the treasurer obtain fiscal court approval for cash transfers prior to funds being moved from one fund to another.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: The court has corrected the action and did so immediately upon notification from audit staff. All transfers from that point forward have and will continue to be approved by Fiscal Court.

2016-004 The Fiscal Court Did Not Advertise For Bids In Accordance With KRS 424.260

The fiscal court failed to follow bidding procedures for the renovation of their convention center. The fiscal court sent bids out for the convention center renovation and accepted the lowest bid. However, before starting the project, the contractor came back and said he had underbid. This prompted the fiscal court to throw out all bids. The fiscal court then decided they would get a county employee to act as general contractor and subcontracted out the individual jobs on the project. However, more than \$20,000 was spent on supplies for this project, which should have been bid.

The county judge/executive believed that they had accepted bids on this project already and the lowest bid seemed too high at this point, and that it would be best for the taxpayers to have the services performed by county employees. By failing to bid all assets purchased, the county is not in compliance with state laws and regulations. By not following these procedures, the fiscal court cannot ensure that they received the best prices on the needed materials.

TRIGG COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
Fiscal Year Ended June 30, 2016
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-004 The Fiscal Court Did Not Advertise For Bids In Accordance With KRS 424.260 (Continued)

KRS 424.260(1) states, “[e]xcept where a statute specifically fixes a larger sum as the minimum for a requirement of advertisement for bids, no city, county, or district, or board or commission of a city or county, or sheriff or county clerk, may make a contract, lease, or other agreement for materials, supplies except perishable meat, fish, and vegetables, equipment, or for contractual services other than professional, involving an expenditure of more than twenty thousand dollars (\$20,000) without first making newspaper advertisement for bids.”

We recommend all purchases greater than \$20,000 are bid in accordance with KRS 424.260 and that documentation of the bid process is maintained.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive’s Response: The Fiscal Court did actually bid the entire job for all contractors to have the same opportunity to bid. The Court received three bids and awarded bid to [name redacted]. [Name redacted] owner called two days later and said he could not complete the project for the amount he bid and removed himself from bidding. At this time the Fiscal Court decided to allow our Buildings & Grounds Director to subcontract this project out and oversee it. Near the end of the project we were still under budget and decided to replace worn out cabinets creating a situation of spending over \$20,000.00 with one business; going forward we will take every action possible to assure that doesn’t happen.

2016-005 The Fiscal Court Failed to Disclose Outstanding Debt On Quarterly Financial Statements

The county treasurer did not include a listing of outstanding county debt on the quarterly financial reports. This is a repeat finding and was included in the prior year audit report as finding 2015-002. The county had outstanding debt principal of \$11,910,544 that was omitted from the fiscal court’s quarterly financial statements. According to the county, this was due to oversight by the county treasurer and a lack of understanding of debt disclosure requirements.

By not including outstanding debt owed by the fiscal court along with the quarterly financial statements, a complete picture of the financial status of the county cannot be obtained. By including outstanding debt principal amounts with the other financial data for the year, management can make better decisions going forward about budgeting county funds and citizens can have a clearer picture of the stability of county finances.

KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. The Department for Local Government’s (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual* requires that a listing of all outstanding debt be included with the quarterly report when being submitted and approved by the fiscal court and the Department for Local Government. Additionally, good internal controls dictate a full disclosure of outstanding debt to all financial statement users.

We recommend the fiscal court require the county treasurer include an accurate listing of all outstanding county debt on quarterly reports.

TRIGG COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
Fiscal Year Ended June 30, 2016
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-005 The Fiscal Court Failed to Disclose Outstanding Debt On Quarterly Financial Statements
 (Continued)

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: This has been corrected by the Treasurer, once again after being notified by the auditor's office. [The county treasurer] began reporting outstanding debt on the quarterly financial statement. We will continue to do this going forward.

2016-006 The Fiscal Court Lacks Adequate Internal Controls Over Payroll

There is a lack of internal controls over payroll. Four employee timesheets were not approved by the supervisor, employee reports did not agree to retirement payments made to CERS, employee W-2s were not accurate, and some employees were given lump sum payments in lieu of Flexible Spending Account (FSA) benefits. Although the county treasurer was preparing payroll and the finance officer was checking the figures and writing the checks, these payroll errors still occurred.

Per the county treasurer, these errors were caused due to oversight and a lack of prior experience with FSA accounts. By not having proper controls over payroll processes, employees could receive incorrect payments or erroneous tax records. A lack of oversight could also lead to the misappropriation of funds, such as overpaying FSA expenses.

KRS 337.320(1) states, “[e]very employer shall keep a record of: (a) [t]he amount paid each pay period to each employee; (b) [t]he hours worked each day and each week by each employee; and (c) [s]uch other information as the commissioner requires.” Additionally, KRS 64.530(1) states, “[e]xcept as provided in subsections (5) and (6) of this section, the fiscal court of each county shall fix the reasonable compensation of every county officer and employee except the officers named in KRS 64.535 and the county attorney and jailer. The fiscal court may provide a salary for the county attorney.” KRS 64.710 states, “[n]o public officer or employee shall receive or be allowed or paid any lump sum expense allowance, or contingent fund for personal or official expenses, except where such allowance or fund either is expressly provided for by statute or is specifically appropriated by the General Assembly.” Also, strong internal controls are essential to ensure that payroll is properly processed and that employees and retirement benefits are properly paid.

We recommend the fiscal court strengthen internal controls over payroll by monitoring time records and retirement payments. Internal controls such as supervisor review of all time cards and review of retirement contributions for each employee will help ensure compliance payroll requirements. We also recommend that no lump-sum payments be given to employees.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: The Treasurer has begun reviewing each and every timesheet to be certain that we are doing everything possible to have adequate controls over payroll. The Treasurer also does a biweekly monitoring of retirement to ensure we are in compliance with contribution requirements to the state. There are no lump sum payments outside of those allowed by the Admin Code for vacation time upon retirement or leaving a position with the county. All of these actions have been implemented.

TRIGG COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
Fiscal Year Ended June 30, 2016
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-007 The County Treasurer Failed To Sign All County Checks

The Trigg County Treasurer does not sign payroll checks for the county. Instead, the county finance officer and the judge/executive are the two signatures on payroll checks. This is due to the fiscal court's attempt to segregate duties over payroll. Since the treasurer prepares the payroll for all employees of the county, the finance officer approves and signs the checks in place of the county treasurer. By not signing all checks for county disbursements, the county treasurer cannot verify that all checks processed are completed and delivered correctly. This could result in fraudulent checks or erroneous checks being created and processed, leaving an incorrect balance in the county treasury.

KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. The Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual* requires that all warrants for the payment of funds from the county treasury be co-signed by the county treasurer and the judge/executive. The county treasurer is not authorized to designate anyone to sign checks on the treasurer's behalf.

We recommend that the county treasurer personally sign all checks created from any county bank account.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: Treasurer now signs all checks, in previous audits we had been advised not to do this, but upon notification of audit staff Treasurer began immediately signing every check. Actions for correction of this is already in place.

Auditor's Reply: The DLG County Budget Preparation and State Local Finance Officer Policy Manual requires the county treasurer and the judge/executive to sign all warrants. It is the fiscal court's responsibility to ensure they adhere to these policies.

2016-008 The Fiscal Court Did Not Have Adequate Controls Over Reporting Of Capital Assets

The master capital asset listing provided to the auditors did not contain construction in progress of \$49,282 and was missing one item from the vehicles and equipment category. The county does not maintain an Annual Inventory Master List. This is a repeat finding and was included in the prior year audit report as finding 2015-001.

The fiscal court lacks adequate controls over reporting and valuation of capital assets. The fiscal court has not adequately monitored and tracked capital assets as required by the Department for Local Government (DLG). By not monitoring and tracking items purchased by the county, the fiscal court cannot determine if items have been stolen or misplaced.

Strong internal controls over capital assets are necessary to ensure accurate financial reporting as well as protect assets from misappropriation. Additionally, KRS 68.210 gives the State Local Finance officer the authority to prescribe a system of uniform accounts for all counties and county officials. The DLG *County Budget Preparation and State Local Finance Officer Policy Manual* states, "[f]or purposes of internal control, a fixed asset inventory listing must be maintained for all asset purchases/donations above a reasonable dollar amount, and have a useful life of greater than one year. The asset inventory listing should provide the following detail:

TRIGG COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
Fiscal Year Ended June 30, 2016
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-008 The Fiscal Court Did Not Have Adequate Controls Over Reporting Of Capital Assets (Continued)

- Property Tag number
- Asset description
- Serial number - if applicable
- Quantity - if applicable
- Cost (or FMV of donated asset at date of donation)
- Date of acquisition
- Date of disposal (track all disposals for entire fiscal year)
- Property Location (by department, building & room number)
- Manager/individual responsible

The Asset Inventory Listing will include assets reported on the Capital Asset Listing, with the exception of infrastructure assets.”

The manual further explains that “an annual physical inventory of property and equipment shall be conducted on or before June 30. Physical counts must be compared to the master asset inventory listing. Resulting differences must be reconciled, explained, and documented.” It further states, “[t]he asset inventory listing should be updated for all additions, disposals, and property location changes, etc. Authorization must be given to appropriate accounting personnel for asset record and asset inventory listing modifications.”

In order to strengthen the county’s internal controls over capital assets, we recommend the county reconcile asset purchases and disposals with the general ledger. The county should also reconcile the schedule to the physical inspection of county assets at the end of each year and make comparisons to the county’s list of inventoried assets and insurance policy.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive’s Response: Corrective action has been put into place and we have created a very thorough list of capital assets and done an update upon notification from the Audit staff. Going forward we will review the capital assets list and make any and all necessary changes or updates on a yearly basis. To ensure that we have a proper list. All office staff and department heads will review the Capital Assets list to ensure we have a detailed and accurate list.

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

TRIGG COUNTY FISCAL COURT

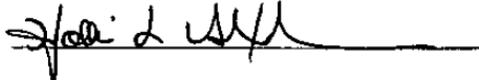
**For The Fiscal Year Ended
June 30, 2016**

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CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
TRIGG COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2016

The Trigg 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