



# Fiscal Court Audit Guide

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MIKE HARMON  
AUDITOR OF PUBLIC ACCOUNTS  
[www.auditor.ky.gov](http://www.auditor.ky.gov)

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**Fiscal Court Audit Guide**  
**Auditor of Public Accounts**

This audit guide is developed in accordance with KRS 43.075, Uniform standards and procedures, which directs the Auditor of Public Accounts to develop uniform standards and procedures for conducting, and uniform formats for reporting, all audits of county budgets and the accounts, books and papers of elected county or district officials performed under KRS 43.070(1)(a)1. and 2. or (1)(b) or 64.810.

Upon and after July 15, 1986, no person shall conduct an audit under KRS 43.070(1)(a)1. and 2. or (1)(b) or 64.810 which does not comply with these standards and procedures promulgated by the state Auditor of Public Accounts.

### **Applicability and Methodology**

This guide provides the uniform standards and procedures for conducting, and uniform formats for reporting, all audits of county budgets, accounts, books, and papers for fiscal court audits promulgated by the Auditor of Public Accounts (APA) as required by KRS 43.075. This guide is not intended to be a complete set of all auditing standards or as a replacement for any auditing standard generally required in the United States (GAAS) promulgated by the American Institute of Certified Public Accountants (AICPA), audits performed under generally accepted government auditing standards (GAGAS) promulgated by the Comptroller General of the United States, or other applicable requirements. Instead, this guide is intended to supplement those standards, and its use is mandatory in conducting all audits of county fiscal courts in the Commonwealth of Kentucky.

In addition to adhering to this guide, all fiscal court audits must be performed in accordance with GAAS and GAGAS. Additionally, when applicable, single audits must be performed in accordance with the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

In adhering to these standards, auditors should demonstrate an understanding of all applicable professional standards in properly supported and well referenced audit documentation, and through the appropriate use of professional judgment. As such, audit procedures contained in this guide may not cover all circumstances or conditions encountered during a particular audit. It is incumbent upon the independent auditor to exercise professional judgment to tailor procedures to ensure that audit procedures are met and that audit risk is reduced to an appropriately low level. However, auditors must consider all requirements in this audit guide that could have a direct and material effect on the opinion for the financial statements of the fiscal court. If an auditor determines that certain procedures are not necessary, the rationale for the exclusion must be explained in the audit documentation. An example of this is a situation in which an auditee is not subject to a specific requirement, or a specific transaction type is not applicable to the auditee.

### **Required Communication**

#### *Known or Suspected Fraud or Abuse*

Any known or suspected fraud, abuse, malfeasance, nonfeasance, or illegal acts identified or brought to the attention of the auditor shall be reported, immediately upon discovery, to the APA. Materiality is not a factor to consider in initiating this communication.

#### *Modified or Disclaimed Opinion*

The auditor shall notify the APA immediately upon recognizing circumstances that warrant the independent auditor's report to be modified, or upon determination that a disclaimer of opinion may be necessary in accordance with GAAS.

#### *Audit Completion and Quality Control Reviews*

Upon completion of audit fieldwork and significant supervisory review the auditor must contact the APA to request a review. Due to the oversight role of the APA, reviews of audit reports and audit documentation must be performed by the APA prior to the issuance of the audit report. These reviews focus on ensuring audit documentation has sufficient compliance with this guide, and appears to contain sufficient documentation to demonstrate adherence to other applicable professional standards. It is critical for the auditor to understand that because the APA is not conducting the audit, there are inherent limitations in the review process that prevents the APA from taking responsibility for the accuracy and reliability of the independent auditor's work. Therefore, auditors are required to have a separate system of quality assurance in place, independent of the APA, and sufficient to ensure applicable standards are met in all audits.

KRS 64.810(4) states that after our preliminary review of the certified public accountant's work papers, should discrepancies be found and are not corrected, then the APA may conduct our own audit, and charge the county for the expense of such audit. Please be aware that we consider, as a "discrepancy," any audit by a certified public accountant that has not been timely completed by February 1 following the year being audited, as mandated by KRS 64.810(3)(a). Thus, if the certified public accountant performing the audit does not complete the audit by February 1 following the year being audited, the APA may choose to perform the audit ourselves as allowed by law.

When the APA's review is complete, the auditor will be authorized in writing to release the audit after any significant deficiencies identified have been corrected. After receiving authorization for release and finalizing the report, the auditor shall forward a copy of the final report to the APA in an unlocked pdf, Microsoft Word, or Excel file within 10 business days of the report being issued by the auditor. Audits conducted under contract with the APA via a request for proposal (RFP) process will be finalized and distributed by the APA.

### **Discretionary Communication**

Matters warranting further investigation or enforcement may be referred to the appropriate oversight or investigative agency or to law enforcement. In the event a referral is included in a comment it is the auditor's responsibility to communicate this referral to the appropriate agency.

## **Basis of Accounting**

Fiscal courts are required to prepare annual financial reports for each fiscal year ending June 30<sup>th</sup>. Fiscal courts may choose to prepare financial statements in accordance with *Generally Accepted Accounting Principles* (GAAP) or present financial statements in a quarterly report format in accordance with the regulatory basis established by the Department for Local Government (DLG) in the *County Budget Preparation And State Local Finance Officer Manual*. The option to select the regulatory basis of reporting was effective for periods ending on or after June 30, 2013.

The fiscal court audit should be planned to be sufficiently comprehensive in scope to permit an expression of an opinion on the financial statements and an in-relation-to opinion on the supplementary information. Additional information is presented below to describe the basic financial statements and key elements under both the regulatory and GAAP basis.

### **Regulatory Basis**

- Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis
- Notes to Financial Statements

### **Supplementary Information**

- Budgetary Comparison Schedules (All budgeted funds)
- Capital Asset Schedule
- Schedule of Expenditures of Federal Awards (If single audit)

### **Regulatory Reporting Entity:**

The financial statement of a fiscal court reporting under the regulatory basis includes all budgeted and unbudgeted funds under the control of the 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 acting 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 two typical unbudgeted funds in a county are the Public Properties Corporation and Jail Commissary.

### **Regulatory Materiality:**

Materiality is calculated on the opinion unit, which is the entire financial statement as a whole. Operating receipts is the materiality benchmark used in the calculation of materiality, performance materiality, tolerable misstatement, individually significant item, trivial amount. Operating receipts for materiality calculation includes all receipts, except for transfers, borrowed money or carryover fund balance, for all budgeted and unbudgeted funds.

### **Regulatory Basis (Continued)**

As the audit progresses, the auditor should consider whether materiality used for planning purposes needs to be reassessed because of significant changes in the quantitative or qualitative factors originally considered in the determination of materiality (e.g., year-end amounts differ significantly from the estimated amounts used in the initial calculation) or to indicate whether performance materiality or tolerable misstatement should be reconsidered because, for example, numerous audit adjustments suggest that performance materiality or tolerable misstatement should be lower. If the auditor becomes aware of additional significant quantitative or qualitative factors that were not initially considered but that would influence the judgment of a reasonable financial statement user, the auditor should reassess materiality, performance materiality, and tolerable misstatement and the results of evidence obtained while conducting the audit procedures.

If the auditor concludes, based on such factors, that a lower materiality than initially determined is appropriate, the auditor should evaluate the effect, if any, of the lower amount(s) on risk assessments and audit procedures, and modify the nature, timing, and extent of audit procedures necessary to obtain sufficient appropriate audit evidence. Additionally, the auditor should consider the impact of the reevaluation of materiality on the auditor's evaluation of identified misstatements.

### **GAAP Basis**

**Basic financial statements.** The basic financial statements for fiscal courts electing to use the GAAP basis of accounting will include:

#### **1. Government-wide financial statements:**

- Statement of Net Position
- Statement of Activities

The government-wide financial statements should be prepared using the economic resources measurement focus and the accrual basis of accounting. These statements should report all of the assets, liabilities, revenues, expenses, and gains and losses of the government. Each statement should distinguish between the governmental and business-type activities of the primary government, and between the total primary government and its discretely presented component units by reporting each in separate columns. Fiduciary activities, whose resources are not available to finance the government's programs, should be excluded from the government-wide statements.

**GAAP Basis (Continued)****2. Fund financial statements:**

- Balance Sheet – Governmental Funds
- Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds
- Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
- Statement of Net Position – Proprietary Funds
- Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds
- Statement of Cash Flows – Proprietary Funds
- Statement of Fiduciary Fund Net Assets

Fund financial statements should consist of a series of statements that focus on information about the government's major governmental and enterprise funds, including its blended component units. Fund financial statements should also report information about the government's fiduciary funds and component units that are fiduciary in nature. Governmental fund financial statements (including financial data for the general, special revenue, capital projects, debt service, and permanent funds) should be prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Proprietary fund financial statements (including financial data for enterprise and internal service funds) and fiduciary fund financial statements (including financial data for fiduciary funds and similar component units) should be prepared using the economic resources measurement focus and the accrual basis of accounting.

3. **Notes to the financial statements** should consist of notes that provide information that is essential to a user's understanding of the basic financial statements.

**4. Required supplementary information (RSI):**

- Management's discussion and analysis (MD&A) should introduce the basic financial statements and provide an analytical overview of the government's financial activities. Although it is RSI, governments are required to present MD&A before the basic financial statements.
- Budgetary comparison schedules should be presented as RSI along with other types of data as required by all applicable GASB pronouncements.

## **GAAP Basis (Continued)**

### **5. Supplementary information (SI):**

Combining financial statements

- Combining Balance Sheet – Non-major Governmental Funds
- Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-major Governmental Funds
- SEFA

GAAP Reporting Entity:

The financial statements of a fiscal court reporting under the GAAP basis of accounting should include the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as outlined in GASB 14, 34, 61 and 80.

GAAP Materiality:

Determining materiality is a matter of professional judgment. Separate materiality determinations should be made for each opinion unit. Opinion units for fiscal courts using the GAAP basis of accounting generally include the following: governmental activities, business-type activities, each major governmental fund, each major proprietary fund, aggregate discretely presented component units, and remaining fund information. Refer to AU-C Section 320, *Materiality in Planning and Performing an Audit*, for further guidance on materiality.

Determining what is material to a user of the financial statements requires professional judgment. Auditors often begin their materiality assessment for the financial statements as a whole for purposes of planning the audit by applying a percentage to a chosen benchmark. The benchmark should represent the measurement component of the entity's financial statements that is believed to be the most critical to the users of the financial statements. The benchmark will then be used as the base from which to determine materiality. As a rule, operating receipts is the materiality benchmark used in the calculation of materiality, performance materiality, tolerable misstatement, individually significant items and trivial amounts. Operating receipts for materiality calculations in fiscal court audits should include all receipts, except for transfers, borrowed money or carryover fund balances, for all funds in each opinion unit.

As the audit progresses, the auditor should consider whether materiality used for planning purposes needs to be reassessed because of significant changes in the quantitative or qualitative factors originally considered in the determination of materiality (e.g., year-end amounts differ significantly from the estimated amounts used in the initial calculation) or to indicate whether performance materiality or tolerable misstatement should be reconsidered because, for example, numerous audit adjustments suggest that performance materiality or tolerable misstatement should be lower. If the auditor becomes aware of additional significant quantitative or qualitative factors

that were not initially considered but that would influence the judgment of a reasonable financial statement user, the auditor should reassess materiality, performance materiality, and tolerable misstatement and the results of evidence obtained while conducting the audit procedures.

If the auditor concludes, based on such factors, that a lower materiality than initially determined is appropriate, the auditor should evaluate the effect, if any, of the lower amount(s) on risk assessments and audit procedures, and modify the nature, timing, and extent of audit procedures necessary to obtain sufficient appropriate audit evidence. Additionally, the auditor should consider the impact of the reevaluation of materiality on the auditor's evaluation of identified misstatements.

### **Required Testing – GAAP and Regulatory**

The auditor should use professional judgment to determine the extent of testing necessary to support his or her opinion on the auditee's financial statements and to report on the auditee's internal controls and on compliance with applicable laws and regulations (See Compliance section of this Audit Guide for applicable laws and regulations.)

The auditor shall perform the following procedure, regardless of whether the auditor assesses the internal control risk to be below the maximum, unless noted below. Also these procedures shall be performed regardless of the basis of accounting the fiscal court uses (GAAP or Regulatory) and regardless of percentage of coverage gained from other procedures. The steps performed and conclusions reached should be clearly stated in the audit documentation.

#### **Receipts:**

- Confirm receipts from the Sheriff and County Clerk
- State Payments – confirm county's receipt of state taxes, grants, and other payments using the various reports available in the State Payments Folder provided by the APA
- The method for testing remaining material accounts will depend on the auditor's consideration of the level of risk associated with each account. If risk is high, confirmation or tests of detail may be necessary. If risk is low, substantive analytical procedures may suffice.
- Revenue Recognition Test – Applicable to some extent in all audits, risk will be greater in counties with economic issues – Test cutoff to determine if revenue is appropriately recognized in compliance with the accounting framework. Testing suggestions: 1. Test receipts at year end to ensure they were recorded in the correct year. 2. Review deposits in transit list for receipts. 3. Test receipts in the July bank statement to ensure they were posted in the correct year. Base extent of testing on risk assessment
- Accounts Receivable – Jail, Ambulance, Garbage Fees, Other
  - Examine accounts receivable records for evidence of accurate posting and collection efforts. If the county uses a collection agency, view the collection report for reasonableness.
  - Review reports to determine the amount outstanding at June 30.
  - Document necessary information for note disclosure.
- Tax Abatements: Obtain and test information regarding tax abatements for proper accounting and disclosure. A tax abatement is a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity which:
  - One or more governments promise to forgo tax revenues to which they are otherwise entitled and
  - The individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or citizens of those governments. Tax abatements do NOT include credits or deductions given by the Kentucky Tax Code.
- Alcohol Regulatory License Fees: Test for compliance with KRS 243.075

**Payroll:**

- Comprehensive Payroll Test - From the county's payroll ledger, select at least one employee from each department (more if risk assessment suggests additional testing) and any others deemed necessary. If the county fee officials are fee pooling, also include these employees. The following officials/employees should be included in the sample: County Judge/Executive, County Treasurer, Jailer, Finance Officer, Payroll Officer or Payroll Clerk. Half of the sample should be pulled from the first 6 months of the fiscal year and half from the last 6 months.
  - Obtain salary schedule. Determine if the salaried or hourly rates are approved by the fiscal court. See KRS 64.5275 and KRS 64.530 for guidance.
  - Based upon employee's approved pay rate and hours reported per time record, recompute gross wages. Compare computed gross wages to payroll register to test accuracy. Document hours worked and rate of pay.
  - Determine if time and a half payments were properly made for all non-exempt employees.
  - Determine if Social Security and Medicare withholdings were computed correctly.
  - Determine if retirement contributions were computed correctly. Document whether the county has any hazardous duty employees.
  - Verify that all employees selected on the test that are working an average of 100 hours per month are having retirement deductions withheld. There may be valid exceptions, such as retired-re-employed workers. Document reason for exceptions.
  - Test timesheets for evidence of review and approval (signature of employee and supervisor). Agree hours worked to payroll ledger.
  - Verify existence of employees by review of personnel file. File should contain basic employment information, pay changes, W4, I-9 if applicable, evidence of authorization of deductions.
  - Examine employee authorizations for withholdings and deductions.
  - Examine annual earnings records and agree to W-2 amount for employees selected prior to 12/31 pay period.
  - Compare payroll cancelled checks to individual earnings records and time records. Compare check number, date, amount and payee to payroll register/report. Be aware that double endorsement of payroll checks may indicate fraud.
  - If leave time is taken by employees during the period tested, ensure that leave balance reports are accurate and being maintained properly.
- Elected Official - Maximum Salaries Test – Determine if salaries paid to the County Judge/Executive and Jailer were made in accordance with the salary schedule approved by DLG
- Employer's Portion of Payroll Taxes/Retirement
  - Review documents, tax forms, reports, etc. to verify that payroll taxes are paid timely and retirement contributions are accurate

**Payroll (Continued):**

- Health Insurance Disbursements – Select at least two invoices and test for attributes listed below.
  - Trace payment to cancelled check.
  - Verify the expenditure is allowable, supported, and recorded accurately.
  - Verify the expenditure was approved by fiscal court.
  - Verify the expenditure was paid timely.
- Health Insurance Withholdings – From one health insurance invoice, select employees to trace health insurance withholdings to withholdings documented on payroll earnings register. This test is verifying that employees are not receiving health insurance benefits without paying their portion.
- Flexible Spending Accounts/Health Reimbursement Accounts (FSA/HRA)
  - Document what type of plan the county has put into place and describe the plan for note disclosure. This may have been documented in the documentation of the understanding of this area. If a third party administrator (TPA) is used and is acting as a service organization, complete applicable audit work for a service organization. Test accounts based on risk.

**Cash:**

- Cash Lead Sheet – Complete the following procedures:
  - Prepare a summary schedule of reconciled cash balances at the opening and closing of the current period. Have the Treasurer sign the Cash Lead Sheet documenting that it's all-inclusive
- Bank Confirmations
  - Confirm account balance information with financial institutions. Request confirmations as of the financial statement date for each depository account identified, including those closed during the year
- Based on the risk assessment and auditor's judgment, determine whether a bank reconciliation or proof of cash should be performed (must do one or the other). Be sure to include unbudgeted funds and revolving accounts. Auditors may choose to do proof of cash for some accounts and reconciliations for others, depending on risk assessment.
- Collateral Pledge Test
  - Confirm collateral pledged to secure deposits with the financial institutions holding the collateral securities as of financial statement date. Ascertain fair value of collateral and determine if the market or face value amount is adequate to secure funds on deposit as required by law

**Cash (Continued):**

- Cash Transfers
  - Verify cash transfers from restricted funds have been returned or were separately accounted for in the fund to which the cash was transferred. Review road allocation worksheet for proper calculation. Note for the road allocation worksheet calculation: Per the DLG budget manual, when allocating road funds for administrative costs, "The total of road fund dollars appropriated must not exceed budgeted truck license distribution receipts."
  - Identify all significant interfund transfers and examine authorization by tracing them to fiscal court orders.

**Debt:**

- Debt Schedule or Activity - Obtain or prepare an analysis of debt activity during the period. Include any proceeds borrowed on behalf of a third party entity. Include this debt on confirmation requests. Obtain copies of lease agreements for this debt.
- Confirm debt with financial institutions and lenders (banks, KACoLT, etc.). Obtain any amortization schedules that have been updated from the prior year.
- All debt proceeds and its use should be budgeted and accounted for on the fiscal court's financial statement. This includes debt directly received by the county and debt handled outside by a third party.

**Disbursements:**

- Test of Controls
  - Tests of controls are required in the following instances: 1. If substantive procedures alone are not effective to reduce risk to an acceptably low level, typically in highly automated processing environments in which a significant amount of information is initiated, authorized, recorded, processed, or reported electronically. 2. If your risk assessment includes an expectation of the operating effectiveness of controls.
- All material transaction classes must be tested. The auditor may choose one or more of the following suggested tests. Use auditor judgement to determine which tests to perform based on internal controls documentation and risk assessment. Include testing of purchases made by the county on behalf of third party entities, even if these were not budgeted/booked. All tests should include an identification of items tested. See Compliance section of this audit guide for applicable compliance requirements that shall be tested for, if applicable.
  - Suggested testing procedures for disbursements:
    - Test of Individually Significant Item (ISI) Transactions
    - Test of Large and Unusual Transactions
    - Random Sampling
    - Analytical Procedures Used As Substantive Tests

**Disbursements (Continued):**

- Credit Cards
  - Determine if the fiscal court, or any department, uses credit cards to make purchases, travel arrangements, etc.
  - Review vendor statements. Scan for large and/or unusual purchases.
  - Test based on auditor judgment, materiality, and risk assessment.
  - Test transactions for allowability, proper support, and accurate recording.
- Purchase Order System – Test to determine if the county is using a purchase order system properly.
- Verify LGEA disbursements are proper based on guidance from the State Local Finance Officer Policy Manual and KRS 42.455

**Jail Commissary:**

- Due to the nature of the funds and prior history the Jail Commissary Fund shall be considered a significant/high risk in all counties containing this fund.
- Annual Commissary Report - Obtain a copy of the jail commissary's annual report to the Treasurer
  - Verify that it was submitted to the Treasurer as required by statute.
  - Determine if it is presented in sufficient detail to meet the requirements of a financial statement. Consult DLG Budget Manual in the Reference Section for guidance.
  - Trace the ending book balance on the report to the book balance on the bank reconciliation.
  - Trace the receipts and disbursements totals on the report to receipts and disbursements ledgers and bank reconciliations.
- Perform a Proof of Cash on jail commissary bank accounts. Be sure to verify the ending bank balance per the proof of cash to the ending bank balance per the annual commissary report and June 30 bank reconciliation.
- Receipts – Determine if jail commissary receipts are properly accounted for on a randomly selected week. This may need to be expanded – based on risk assessment. Perform the following test procedures:
  - Verify that receipts are issued in accordance with KRS 64.820. Triplicate receipts should be used (one to inmate or family member, one with daily work, one in book or system). Verify the jail is retaining copies of all voided receipts. Determine if receipts are issued and batched in sequence.
  - Verify that receipts are batched daily.
  - Verify that batched totals are posted to a daily checkout sheet. Review and foot the daily checkout sheet.

**Jail Commissary (Continued):**

- Receipts (Continued)
  - Determine if the correct fees are collected. Obtain a listing of fees charged at the jail to identify the fees that should be collected (this may be done during the inquiry and evaluation of controls work).
  - Verify that the daily checkout sheet is posted to the receipts ledger.
  - Compare daily checkout sheet total to the bank deposit (compare cash/checks per checkout sheet (or batched receipts) to cash/checks per deposit ticket).
  - Determine if there are abnormal delays in daily receipts being deposited. Abnormal delays could indicate a fraud risk.
- Disbursements
  - Auditors may choose ISI and large and unusual transactions to test or may choose a random sample of the entire population or a combination of these.
  - Testing should be done for controls and/or substantive attributes as well as compliance with KRS 441.135.
  - Extent of testing should depend on auditor judgment, risk assessment and materiality.
  - Be alert for capital asset purchases; these will need to be included on the capital assets schedule and potentially tested for bid requirements.
- Disbursements to Inmates – Refunds
  - Scan cancelled checks or disbursements records for refunds to inmates. For large amounts or unusual entries, trace to supporting documentation. This can be completed on the same workpaper as canteen disbursements.
  - Review jail's policy for stale checks and inmate balances that have not been remitted to the inmate. Test compliance with KRS 441.137.
- Inmate Accounts – Test inmate accounts to ensure deposits and disbursements are recorded accurately in the inmate accounts.
  - Compare fees charged to inmates to the fee listing to ensure inmates are being charged correctly.
  - Review inmate accounts for deposits. Trace to daily checkout sheets and deposit tickets.
  - Review inmate accounts for canteen purchases. Trace purchases to supporting documentation, i.e. commissary reports, order forms.
  - Review inmate accounts for refunds. Trace refund to cancelled check to ensure inmate received the refund.
  - Obtain total inmate balances held by the jail. Test to see that cash balance in bank is sufficient to cover total balances of inmate accounts.
- Sales Tax – Determine if the Jailer is paying sales tax on taxable commissary items.

**Capital Assets:**

- County's Capital Assets Listing - Obtain and review a copy of the county's capital assets listing and infrastructure listing. If the county did not update/prepare a capital assets listing, document an exit comment. (may need to be reportable if repeat comment from prior year)
  - Trace beginning balances to prior year audited balances. If there will be differences due to reclassifications or adjustments, add (restated) to the report format schedule and present adjustments to management for review/approval.
  - Compare audited additions, disposals and ending balance to county's prepared schedule. If differences are significant (because you added additions/disposals during fieldwork), document an exit comment concerning the inaccuracy and, if applicable, lack of controls over preparation of the schedule.
- Additions
  - Inquire of responsible officials and review appropriations ledger to determine if there are additions (purchased, constructed, capitalizable leases, donations) that are omitted from the county's capital assets schedule. This review can be coordinated with disbursements testing.
  - Trace selected additions to insurance policies
- Retirements
  - Inquire of responsible officials about whether there are any major retirements, sales of property, abandonments, or damages to assets not reflected in the county's capital asset schedule. If significant, determine if county's disposal policies and procedures were followed.
  - Determine whether retired assets have been removed from insurance policies.

**Additional Testing:**

After performing the required testing above, the auditor shall determine if additional testing is needed to ensure the testing of all material transaction classes/funds, accounts, account balances, transfers, and disclosures has been achieved. In addition, significant risks of material misstatement impacting accounts, transaction classes, or disclosures that exceed the documented tolerable misstatement should be addressed through further audit procedures which, in the judgment of the auditor, are sufficient to address the risks.

## **APPROPRIATE NOTE DISCLOSURES FOR FINANCIAL STATEMENTS**

In order to achieve fair presentation, the notes to the financial statement(s), whether prepared utilizing the regulatory basis or GAAP basis, should include all informative disclosures that are appropriate, including all matters that affect the financial statements' use, understanding and interpretation. Per the Department for Local Government's *County Budget Preparation And State Local Finance Officer Manual*, appropriate note disclosures can generally be categorized as follows:

- Informative Disclosures for items contained in the financial statement(s)
- Additional general disclosures related to matters not specifically identified on the face of the financial statement(s)
- Other disclosures considered necessary to achieve a fair presentation

Examples of required note disclosures for financial statement(s), whether prepared on the regulatory basis or GAAP basis:

- Summary of Significant Accounting Policies
- Deposits and Investments
- Capital Assets (GAAP basis financial statements only; reported as Other Information under regulatory basis presentation)
- Short-Term Debt
- Long-Term Debt
- Inter-fund Balances and Transfers
- Receivables
- Employee Retirement System Participation and Related Commitments and Contributions
- Accounting Changes and Corrections of Errors
- Tax Abatements
- Other Postemployment Benefits

These disclosures would be prepared as required for the GAAP basis of reporting for both types of financial statement presentations. However, it is important to note that GAAP disclosure requirements that are not relevant to the regulatory basis of accounting need not be considered. For in-stance, as noted above, Capital Assets under the GAAP basis would be reported at historical cost net of accumulated depreciation on the face of the financial statements and in the notes to the financial statements. Under the regulatory basis of accounting, Capital Assets would be reported as "Other Information" instead of in the notes to the financial statements and only disclose the assets at historical cost. There would be no requirement to disclose depreciation expense or accumulated depreciation under the regulatory basis.

Additional General Disclosures that are generally applicable to both financial reporting frameworks related to matters that are not specifically identified on the face of the financial statement(s), when applicable:

- Material Noncompliance
- Restrictions on Assets or Cash Balances
- Related party Transactions
- Subsequent Events
- Commitments and Contingencies

Other Informative Disclosures that are necessary to achieve fair presentation should be included with either GAAP basis financial statements or a regulatory basis financial statement, when applicable, may include:

- Significant Risks and Uncertainties
- Significant Concentrations and Dependencies
- Going Concern Considerations
- Other informative disclosures for items or conditions not evident on the face of the financial statement(s)

## Compliance

In accordance with KRS 43.075, all person performing audits of a fiscal court shall determine whether the fiscal court is complying with the requirements of the uniform system of accounts adopted under KRS 68.210, which is set forth in the Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual*, whether there is accurate recording of receipts by source and expenditures by payee, and whether or not each official is complying with all other legal requirements relating to the management of public funds by his office, including all publication requirements. All persons performing audits of a fiscal court shall also evaluate compliance with the following statutes. In addition, the auditor shall determine compliance with other applicable statutes or newly enacted legislation which are not listed, based on the situations and circumstances pertaining to the particular fiscal court being audited.

	KRS Number	Title/Description
<b>PLANNING</b>		
1	65.003	Codes of Ethics for City, County, etc. - Interlocal Agreements
2	65.067	Bond Required of Persons Handling Public Funds
3	65.905	Local Governments Required to File Uniform Financial Information Report; Use of Report by Department for Local Government
4	67.080 & 67.083	Powers of Fiscal Court
5	67.100	Records of Fiscal Court
6	67.710	Powers and Duties of County Judge/Executive
7	67.711	Deputy County Judge/Executive and Office Personnel
8	67.722	Expense Allowance for County Judge/Executive for local county road program
9	68.005	County Administrative Code
10	68.010	County Treasurer; Appointment, Term, Oath, Bond; Appointment of Acting County Treasurer Under Specified Circumstances
11	68.020	Duties and Powers of the County Treasurers
12	68.030	Approval and recording of settlements - must be in open court
13	68.050	Duties of Outgoing County Treasurer
14	68.210	SLFO Prescribes a System of Uniform Accounts
15	68.240	Proposed Budget; Contents; Duties of Fiscal Court
16	68.260	Adoption of Budget by Fiscal Court
17	68.360	Monthly Statement of County Treasurer; Quarterly Statement of County Judge/Executive
18	424.220(6)(8)	Preparing Financial Statement and Publishing Audit
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20	41.240	Pledge of Securities Required of Depositories
21	66.480 (1-7)	Investment of Public Funds; Limitations; Written Investment Policy; Duties of State Local Debt Officer; Investment Pool
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31	67.0802	Sale or Other Disposition of County Property
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33	243.075	Certain wet or moist local governments may impose regulatory license fees on gross receipts of the sale of alcoholic beverages of establishments selling alcoholic beverages

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34	42.455 (1-4)	Local Government Economic Assistance Program
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53	441.225	Expenditures from Jail Budget; Payment of Jail Personnel
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54	64.530	Compensation of County Officers, Employees, Deputies and Assistants and Members of Fiscal Court - Applicability of KRS 64.368 if Population Decreases Below 70,000
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56	67.705	Qualifications - Vacancy - Salary - Minimum Annual Compensation - Exception - Duties and Salaries of Judge/Executive and Magistrates or Commissioners in County Containing a Consolidated County Government
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62	61.932	Personal Information Security and Breach Investigation Procedures

## **Audit Reports**

In accordance with KRS 43.075, the format of reports for fiscal courts shall be uniform.

- Draft Regulatory Audit Report Format
- Draft GAAP Audit Report Format

*Note: The draft audit reports are being provided for format purposes only. They include examples of necessary report elements and note disclosures, however they must be modified to meet the specific requirements of the audit being completed. The drafts should be updated to include all the most recent standards to ensure compliance.*

## Draft Regulatory Audit Report Format

**REPORT OF THE AUDIT OF THE  
\_\_\_\_\_ COUNTY  
FISCAL COURT**

**For The Year Ended  
June 30, 20XX**



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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, \_\_\_\_\_ County Judge/Executive  
Members of the \_\_\_\_\_ 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 \_\_\_\_\_ County Fiscal Court, for the year ended June 30, 20XX, and the related notes to the financial statement which collectively comprise the \_\_\_\_\_ 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  
The Honorable Matthew G. Bevin, Governor  
William M. Landrum III, Secretary  
Finance and Administration Cabinet  
The Honorable, \_\_\_\_\_ County Judge/Executive  
Members of the \_\_\_\_\_ County Fiscal Court

**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 \_\_\_\_\_ 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 \_\_\_\_\_ County Fiscal Court as of June 30, 20XX, 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 \_\_\_\_\_ County Fiscal Court as of June 30, 20XX, 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.

*Change if you have an opinion different than above.*

**Emphasis of Matter(s)**

*If you have emphasis of matter paragraph, it should go here. Additional guidance is also available in AU-C 706*

*If no Emphasis of Matter paragraph is needed, please move Other Matters section on next page to this page – it fits.*

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

## Other Matters

### *Supplementary Information*

#### **(NOTE: Remove the SEFA info from the following 2 paragraphs if not Single Audit)**

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of the \_\_\_\_\_ County Fiscal Court. The Budgetary Comparison Schedules, Capital Asset Schedule, and the Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) 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, Capital Asset Schedule, and Schedule of Expenditures of Federal Awards 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, Capital Asset Schedule, and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the financial statement as a whole.

#### ***Additional Other Matters go here***

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

In accordance with *Government Auditing Standards*, we have also issued our report dated (FW) on our consideration of the \_\_\_\_\_ 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 \_\_\_\_\_ 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 **or (remove one) Schedule of Findings and Questioned Costs** included herein, which discusses the following report findings: **(remove this paragraph if not needed)**

20XX-001 The Fiscal Court

Respectfully submitted,

Mike Harmon  
 Auditor of Public Accounts

(FW - put EOF/Report date in Binder Properties)

**COUNTY OFFICIALS**

**For The Year Ended June 30, 20XX**

**Fiscal Court Members:**

*start here*

*list all at this indentation*

County Judge/Executive

Magistrate

Magistrate

Magistrate

Magistrate

Magistrate

Magistrate

Magistrate

Magistrate

**Other Elected Officials:**

County Attorney

Jailer

County Clerk

Circuit Court Clerk

Sheriff

Property Valuation Administrator

Coroner

**Appointed Personnel:**

County Treasurer

Chief Financial Officer

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

**For The Year Ended June 30, 20XX**

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

**For The Year Ended June 30, 20XX**

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
<b>RECEIPTS</b>			
Taxes	\$	\$	\$
In Lieu Tax Payments			
Excess Fees			
Licenses and Permits			
Intergovernmental			
Charges for Services			
Miscellaneous			
Interest			
Total Receipts			
<b>DISBURSEMENTS</b>			
General Government			
Protection to Persons and Property			
General Health and Sanitation			
Social Services			
Recreation and Culture			
Transportation Facility and Services			
Roads			
Airports			
Bus Services			
Other Transportation Facilities and Services			
Road Facilities			
Debt Service			
Capital Projects			
Administration			
Total Disbursements			
Excess (Deficiency) of Receipts Over			
Disbursements Before Other			
Adjustments to Cash (Uses)			
<b>Other Adjustments to Cash (Uses)</b>			
Bond Proceeds or Financing Obligation Proceeds			
Payroll Revolving Account			
Investments Purchased			
Investments Redeemed			
Transfers From Other Funds			
Transfers To Other Funds			
Total Other Adjustments to Cash (Uses)			
Net Change in Fund Balance			
Fund Balance - Beginning			
Fund Balance - Ending	\$ 0	\$ 0	\$ 0
<b>Composition of Fund Balance</b>			
Bank Balance	\$	\$	\$
Plus: Deposits In Transit			
Less: Outstanding Checks			
Certificates of Deposit			
Investments			
Fund Balance - Ending	\$ 0	\$ 0	\$ 0

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



**COUNTY**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES**  
**IN FUND BALANCES - REGULATORY BASIS**  
**For The Year Ended June 30, 20XX**  
**(Continued)**

	Unbudgeted Funds		
	Fund	Fund	Jail Commissary Fund
<b>RECEIPTS</b>			
Taxes	\$	\$	\$
In Lieu Tax Payments			
Excess Fees			
Licenses and Permits			
Intergovernmental			
Charges for Services			
Miscellaneous			
Interest			
Total Receipts	_____	_____	_____
<b>DISBURSEMENTS</b>			
General Government			
Protection to Persons and Property			
General Health and Sanitation			
Social Services			
Recreation and Culture			
Transportation Facility and Services			
Roads			
Airports			
Bus Services			
Other Transportation Facilities and Services			
Road Facilities			
Debt Service			
Capital Projects			
Administration			
Total Disbursements	_____	_____	_____
Excess (Deficiency) of Receipts Over			
Disbursements Before Other			
Adjustments to Cash (Uses)	_____	_____	_____
<b>Other Adjustments to Cash (Uses)</b>			
Bond Proceeds			
Payroll Revolving Account			
Investments Purchased			
Investments Redeemed			
Transfers From Other Funds			
Transfers To Other Funds			
Total Other Adjustments to Cash (Uses)	_____	_____	_____
Net Change in Fund Balance			
Fund Balance - Beginning			
Fund Balance - Ending	\$ 0	\$ 0	\$ 0
<b>Composition of Fund Balance</b>			
Bank Balance	\$	\$	\$
Plus: Deposits In Transit			
Less: Outstanding Checks			
Certificates of Deposit			
Investments			
Fund Balance - Ending	\$ 0	\$ 0	\$ 0

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





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\_\_\_\_\_  
**COUNTY**  
**NOTES TO FINANCIAL STATEMENT**

**June 30, 20XX**

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

**A. Reporting Entity**

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

[List component units] 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 following entities can be obtained from the \_\_\_\_\_ County Fiscal Court (put in FC address): (List CU's whose audits are completed as of the end of our field work) (delete previous sentence if there are no complete CU audits and entire paragraph if there no CU's)

**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.

**COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 20XX**  
**(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 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.

Central Dispatch Fund - The primary purpose of this fund is to account for the dispatch expenses of the county. The primary source of receipts for this fund is the 911 telephone surcharge.

Homeland Security Fund - The primary purpose of this fund is to account for some emergency equipment expenses of the county. The primary sources of receipts for this fund are federal and state grants.

County Police Account Fund - The primary purpose of this fund is to account for additional law enforcement expenses of the county. The primary sources of receipts for this fund are fines and forfeitures.

*(add or delete funds as necessary – include, at a minimum, the fund's purpose and source(s) of receipts. Can also include use of disbursements if relevant.)*

**Unbudgeted Funds**

The fiscal court reports the following unbudgeted funds:

Public Facilities Construction 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.

Jail Commissary Fund - The canteen operations are authorized pursuant to KRS 441.135. The profits generated from the sale of items are to be used for the benefit and to enhance the well-being of the inmates; or to enhance safety and security within the jail. The jailer is required to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the jail commissary fund.

*(add or delete funds as necessary)*





**COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 20XX**  
**(Continued)**

**Note 2. Deposits and Investments-Everything is OK**

**A. Deposits (if no B. Investments section, can remove the sub-heading A. Deposits)**

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

**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, 20XX, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

**A. Deposits - Collateral Insufficient w/Agreement**

**(Use this when the County has an agreement in place but the bank did not pledge sufficient assets to cover the County’s deposits at either year-end or on the high date. This is used only when the fiscal court is not at fault. If there is not a security agreement in place, this is not used.)**

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.

**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, 20XX, all deposits were covered by FDIC insurance or a properly executed collateral security agreement. However, as of \_\_\_\_\_, 20\_\_, public funds were exposed to custodial credit risk because the bank did not adequately collateralize the fiscal court's deposits in accordance with the security agreement.

- Uncollateralized and Uninsured \$ \_\_\_\_\_
- (OR)**





**COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 20XX**  
**(Continued)**

**Note 2. Deposits and Investments (Continued)**

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

The fiscal court is limited to investing no more than 20 percent in categories 5, 6, 7, 9, and 10 above per state statute and the fiscal court's investment policy. *As of June 30, 201XX the fiscal court does not have any investments in these categories. OR As of June 30, 20XX, the fiscal court has investments of less than 20% in these categories. OR As of June 30, 20XX, the fiscal court has investments of \_\_\_% in these categories which is more than 20% limit set by state statute.*

The fiscal court's rated investments, as of June 30, 20XX, and the ratings are presented in the table below. All issuers of the municipal bonds are located in the Commonwealth of Kentucky.

**Credit Risk Table**

Type	Standard & Poor's/Moody's Credit Ratings					Unrated/NA	Cost Basis
	AAA/Aaa	AA/Aa	A	WR			
Cash Equivalents	\$	\$	\$	\$	\$	\$	\$
U.S. Treasury							
Mutual Funds							
Certificates of Deposit							
Investments:							
U.S. Government and							
U.S. Agencies Bonds							
U.S. Agencies CMOs							
Municipal Bonds (KY)							
Total Investments							
Total Fund Balance	\$	0 \$	0 \$	0 \$	0 \$	0 \$	0



**COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 20XX**  
**(Continued)**

**Note 3. Transfers**

The table below shows the interfund operating transfers for fiscal year 20XXXX.

	General Fund	Road Fund	LGEA Fund	Central Dispatch Fund	Homeland Security Fund	Total Transfers In
General Fund	\$	\$	\$	\$	\$	\$
Road Fund						
Jail Fund						
LGEA Fund						
General Obligation Bond Fund						
Blank Fund						
<b>Total Transfers Out</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

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. *(Change reason as necessary)*

**Note 4. Agency Trust Funds – delete if not needed**

Agency trust funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments.

The fiscal court has the following agency trust funds:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 20XX, was \$0.

Planning and Zoning Bond Escrow Fund - This fund accounts for funds received from contractors and held until a project is finished. The balance in the planning and zoning bond escrow fund as of June 30, 20XX, was \$0.

County Police Seized Funds Fund - This fund accounts for funds seized by the \_\_\_\_\_ County Police and held until the court system issues orders on what to do with the funds. The balance in the county police seized funds fund as of June 30, 20XX, was \$0.

*(Add any that may be needed such or remove any not needed)*

**Note 5. Private Purpose Trust Funds – delete if not needed**

Private-purpose trust funds, are used to report all trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

The fiscal court has the following private purpose trust funds:

*Add trust name & description*



**COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 20XX**  
**(Continued)**

**Note 8. Long-term Debt (Continued)**

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

Long-term Debt activity for the year ended June 30, 20XX, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	\$	\$	\$	\$	\$
General Obligation Notes					
Revenue Bonds					
Financing Obligations					
<b>Total Long-term Debt</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>

**Note 9. Commitments and Contingencies – Delete if not needed**

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

**Note 10. Commitment Debt (Add commitment debt, delete if not necessary)**

*Include commitment debt. Debt the county may have to pay off/ is paying for others (joint jail), because the entity does not have the funds or FC is paying some and another FC is paying some (talk to manager or Tammy Patrick if you have any questions) This would not include debt that is in the fiscal court’s name and another entity is actually making the payments on the fiscal court’s behalf.*

**Note 11. Employee Retirement System**

*Delete Green from this note if no hazardous duty retirement employees.*

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

The county’s contribution for FY 20XX was \$, FY 20XX was \$, and FY 20XX was \$.

Nonhazardous

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

**COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 20XX**  
**(Continued)**

**Note 11. 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 accounts. Nonhazardous covered employees contribute 5 percent of their annual creditable compensation. Nonhazardous members also contribute 1 percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the KRS Board of Directors based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a 4 percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

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

The county's contribution rate for nonhazardous employees was 19.18 percent.

Hazardous

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

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan.

Members in the plan contribute a set percentage of their salary each month to their own accounts. Hazardous members contribute 8 percent of their annual creditable compensation and also contribute 1 percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A hazardous member's account is credited with a 7.5 percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

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

The county's contribution rate for hazardous employees was 31.55 percent.

**COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 20XX**  
**(Continued)**

**Note 11. Employee Retirement System (Continued)**

Health Insurance Coverage

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

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

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

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

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

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

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>. 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.

**COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 20XX**  
**(Continued)**

**Note 12. Deferred Compensation**

The \_\_\_\_\_ 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 13. Health Reimbursement Account/Flexible Spending Account**

The \_\_ County Fiscal Court, in Fiscal Court Order No. \_\_ established a flexible spending account on \_\_\_\_\_ to provide employees an additional health benefit. The county has contracted with a third-party administrator to administer the plan. The plan provides \_\_\_\_\_. Employees may also contribute additional pre-tax funds through payroll deduction. The balance of the plan is \$ \_\_\_\_\_. (Change as necessary)

**Note 14. Insurance**

For the fiscal year ended June 30, 20XX, the \_\_\_\_\_ 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 15. Subsequent Events**

**(Delete if not necessary)**

**Note 16. Related Party Transactions**

**(Delete if not necessary)**

**Note 17. Payroll Revolving Account**

The reconciled balance of the payroll revolving account as of June 30, 20XX, was added to the general fund cash balance for financing reporting purposes. (See guidance in the payroll addendum for note disclosure/comments/F/S presentation)





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**COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 20XX**  
**(Continued)**

	<b>ROAD FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$	\$	\$	\$
In Lieu Tax Payments				
Excess Fees				
Licenses and Permits				
Intergovernmental				
Charges for Services				
Miscellaneous				
Interest				
Total Receipts				
<b>DISBURSEMENTS</b>				
General Government				
Protection to Persons and Property				
General Health and Sanitation				
Social Services				
Recreation and Culture				
Transportation Facilities and Services				
Roads				
Airports				
Bus Services				
Other Transportation Facilities and Services				
Road Facilities				
Debt Service				
Capital Projects				
Administration				
Total Disbursements				
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)				
<b>Other Adjustments to Cash (Uses)</b>				
Financing Obligation Proceeds				
Transfers From Other Funds				
Transfers To Other Funds				
Total Other Adjustments to Cash (Uses)				
Net Change in Fund Balance				
Fund Balance - Beginning				
Fund Balance - Ending	\$ 0	\$ 0	\$ 0	\$ 0

**COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 20XX**  
**(Continued)**

	<b>JAIL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$	\$	\$	\$
In Lieu Tax Payments				
Excess Fees				
Licenses and Permits				
Intergovernmental				
Charges for Services				
Miscellaneous				
Interest				
Total Receipts				
<b>DISBURSEMENTS</b>				
General Government				
Protection to Persons and Property				
General Health and Sanitation				
Social Services				
Recreation and Culture				
Transportation Facilities and Services				
Roads				
Airports				
Bus Services				
Other Transportation Facilities and Services				
Road Facilities				
Debt Service				
Capital Projects				
Administration				
Total Disbursements				
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)				
<b>Other Adjustments to Cash (Uses)</b>				
Financing Obligation Proceeds				
Transfers From Other Funds				
Transfers To Other Funds				
Total Other Adjustments to Cash (Uses)				
Net Change in Fund Balance				
Fund Balance - Beginning				
Fund Balance - Ending	\$ 0	\$ 0	\$ 0	\$ 0

**COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 20XX**  
**(Continued)**

**LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$	\$	\$	\$
In Lieu Tax Payments				
Excess Fees				
Licenses and Permits				
Intergovernmental				
Charges for Services				
Miscellaneous				
Interest				
Total Receipts				
<b>DISBURSEMENTS</b>				
General Government				
Protection to Persons and Property				
General Health and Sanitation				
Social Services				
Recreation and Culture				
Transportation Facilities and Services				
Roads				
Airports				
Bus Services				
Other Transportation Facilities and Services				
Road Facilities				
Debt Service				
Capital Projects				
Administration				
Total Disbursements				
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)				
<b>Other Adjustments to Cash (Uses)</b>				
Financing Obligation Proceeds				
Transfers From Other Funds				
Transfers To Other Funds				
Total Other Adjustments to Cash (Uses)				
Net Change in Fund Balance				
Fund Balance - Beginning				
Fund Balance - Ending	\$ 0	\$ 0	\$ 0	\$ 0

**COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 20XX**  
**(Continued)**

<b>BLANK 1 FUND</b>				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Taxes	\$	\$	\$	\$
In Lieu Tax Payments				
Excess Fees				
Licenses and Permits				
Intergovernmental				
Charges for Services				
Miscellaneous				
Interest				
Total Receipts				
<b>DISBURSEMENTS</b>				
General Government				
Protection to Persons and Property				
General Health and Sanitation				
Social Services				
Recreation and Culture				
Transportation Facilities and Services				
Roads				
Airports				
Bus Services				
Other Transportation Facilities and Services				
Road Facilities				
Debt Service				
Capital Projects				
Administration				
Total Disbursements				
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)				
<b>Other Adjustments to Cash (Uses)</b>				
Financing Obligation Proceeds				
Transfers From Other Funds				
Transfers To Other Funds				
Total Other Adjustments to Cash (Uses)				
Net Change in Fund Balance				
Fund Balance - Beginning				
Fund Balance - Ending	\$ 0	\$ 0	\$ 0	\$ 0

**COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 20XX**  
**(Continued)**

	<b>FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$	\$	\$	\$
In Lieu Tax Payments				
Excess Fees				
Licenses and Permits				
Intergovernmental				
Charges for Services				
Miscellaneous				
Interest				
Total Receipts				
<b>DISBURSEMENTS</b>				
General Government				
Protection to Persons and Property				
General Health and Sanitation				
Social Services				
Recreation and Culture				
Debt Service				
Capital Projects				
Administration				
Total Disbursements				
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)				
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds				
Transfers To Other Funds				
Total Other Adjustments to Cash (Uses)				
Net Change in Fund Balance				
Fund Balance - Beginning				
Fund Balance - Ending	\$ 0	\$ 0	\$ 0	\$ 0

\_\_\_\_\_  
**COUNTY**  
**NOTES TO REGULATORY SUPPLEMENTARY**  
**INFORMATION - BUDGETARY COMPARISON SCHEDULES**

**June 30, 20XX**

**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. Reconciliation of the General Fund (if necessary)**  
**USE A SCHEDULE IF THE RECONCILIATION IS COMPLICATED**

*The Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis differs from the Budgetary Comparison Schedule for the general fund for in intergovernmental receipts and debt service by \$36,700 due to payments by the Administrative Office of the Courts directly to the trustee for debt service.*

**Note 3. Excess of Disbursements Over Appropriations (if necessary) MAKE SURE YOU HAVE AN AUDIT COMMENT (exit if under ISI; report if over ISI ) IF THEY HAVE OVERSPENT ANY LINE ITEM**

General fund general government (line item overspent) exceeded budgeted appropriations by \$\_\_\_\_\_.

(Delete/change above if necessary)



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

**June 30, 20XX**

**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		
Buildings and Building Improvements		
Equipment		
Vehicles		
Infrastructure		

**(Please make the categories above consistent with categories per the county's capitalization policy and the preceding Schedule of Capital Assets)**



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\_\_\_\_\_ COUNTY  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For The Year Ended June 30, 20XX**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity's Identifying Number	Provided to Subrecipient	Total Federal Expenditures
<b>U. S. Department of _____</b>				
<i>Direct Program</i>				
Program Name (per CFDA)	#	#	\$ -	\$ -
<b>Total U.S. Department of _____</b>			<u>-</u>	<u>-</u>
<b>U. S. Department of _____</b>				
<i>Passed-Through State Department _____</i>				
Program Name (per CFDA)	#	#	\$ -	\$ -
<b>Total U.S. Department of _____</b>			<u>-</u>	<u>-</u>
<b>U. S. Department of _____</b>				
<i>Passed-Through State Department _____</i>				
Program Name (per CFDA)	#	#	\$ -	\$ -
<b>Total U.S. Department of _____</b>			<u>-</u>	<u>-</u>
<b>U. S. Department of _____</b>				
<i>Passed-Through State _____ Cabinet:</i>				
Program Name (per CFDA)	#	#	\$ -	\$ -
<b>Total U.S. Department of _____</b>			<u>-</u>	<u>-</u>
<b>U. S. Department of _____</b>				
<i>Passed-Through State Department of _____ -ARRA:</i>				
Program Name (per CFDA)	#	#	\$ -	\$ -
<b>Total U.S. Department of _____</b>			<u>-</u>	<u>-</u>
<b>Non-Cash Expenditures</b>				
<b>U.S. Department of _____</b>				
			\$ -	\$ -
<b>Total U.S. Department of _____</b>			<u>-</u>	<u>-</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 0</u>	<u>\$ 0</u>

The accompanying notes are an integral part of this schedule

\_\_\_\_\_ COUNTY  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**June 30, 20XX**

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of \_\_\_\_\_ County, Kentucky under programs of the federal government for the year ended June 30, 20XX. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of \_\_\_\_\_ County, Kentucky, it is not intended to and does not present the financial position, changes in net assets, or cash flows of \_\_\_\_\_ County, Kentucky.

**Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported 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. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**Note 3. Indirect Cost Rate (Per Uniform Guidance, this note stays in, even if no indirect cost plan)**

\_\_\_\_\_ County **has not adopted an indirect cost rate or has elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance. (choose one)**

**Note 4. \_\_\_\_\_ Loan Programs (Remove if no loans)**

The \_\_\_\_\_ loan programs listed subsequently are administered directly by the \_\_\_\_\_ County Fiscal Court, and balances and transactions relating to these programs are included in the \_\_\_\_\_ County Fiscal Court's financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at June 30, 20XX, consists of:

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

**Use one of the following 3 Letters and Delete the 2 you do not use**

**(No Material Weaknesses Identified, No Significant Deficiencies Identified, No Reportable Instances of  
Noncompliance or Other Matters Identified)**

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MIKE HARMON  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable , \_\_\_\_\_ County Judge/Executive  
Members of the \_\_\_\_\_ 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 \_\_\_\_\_ County Fiscal Court for the fiscal year ended June 30, 20XX and the related notes to the financial statement which collectively comprise the \_\_\_\_\_ County Fiscal Court's financial statement and have issued our report thereon dated (FW).

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statement, we considered the \_\_\_\_\_ County Fiscal Court's internal control over financial reporting (internal control) to determine 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 \_\_\_\_\_ County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the \_\_\_\_\_ County Fiscal Court's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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



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

**Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the \_\_\_\_\_ 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

Respectfully submitted,

Mike Harmon  
Auditor of Public Accounts

(FW - Insert EOF/Report Date in Binder Properties)

**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***

**(No Material Weaknesses Identified; Significant Deficiencies and Reportable Instances of Noncompliance, and  
Other Matters Identified)**

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MIKE HARMON  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable, \_\_\_\_\_ County Judge/Executive  
Members of the \_\_\_\_\_ 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 \_\_\_\_\_ County Fiscal Court for the fiscal year ended June 30, 20XX and the related notes to the financial statement which collectively comprise the \_\_\_\_\_ County Fiscal Court's financial statement and have issued our report thereon dated (FW).

**Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We identified certain deficiencies in internal control, which are described in the accompanying Schedule of Findings and Responses *or Schedule of Findings and Questioned Costs* that we consider to be (a) significant deficiency(ies) as item(s) [List the reference numbers of the related findings, for example, 20XX-001, 20XX-003, and 20XX-004].



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 \_\_\_\_\_ 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(s) of noncompliance or other matters that (is) are required to be reported under *Government Auditing Standards* and which (is) are described in the accompanying Schedule of Findings and Responses *or* Schedule of Findings and Questioned Costs as item(s) [List the reference numbers of the related findings, for example, 20XX-001, 20XX-003, and 20XX-004].

**(Or replace last sentence with the following)** The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**(If the County Judge/Executive has responded to any comments, include this paragraph)**

### Views of Responsible Official(s) and Planned Corrective Action

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

### Purpose of this Report

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

Respectfully submitted,

Mike Harmon  
 Auditor of Public Accounts

(FW - Insert EOF/Report Date in Binder Properties)

**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***

**(Material Weaknesses and Significant Deficiencies and Reportable Instances of Noncompliance, and  
Other Matters Identified)**

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MIKE HARMON  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable, \_\_\_\_\_ County Judge/Executive  
Members of the \_\_\_\_\_ 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 \_\_\_\_\_ County Fiscal Court for the fiscal year ended June 30, 20XX, and the related notes to the financial statement which collectively comprise the \_\_\_\_\_ County Fiscal Court's financial statement and have issued our report thereon dated (FW).

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statement, we considered the \_\_\_\_\_ 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 \_\_\_\_\_ County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the \_\_\_\_\_ 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 *or Schedule of Findings and Questioned Costs*, we identified (a) certain deficiency(ies) in internal control that we consider to be (a) material weakness(es) [and *another/other deficiency(ies)* that we consider to be (a) significant deficiency(ies)].

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(ies) described in the accompanying Schedule of Findings and Responses *or Schedule of Findings and Questioned Costs* as item(s) [List the reference numbers of the related findings, for example, 20XX-001, 20XX-003, and 20XX-004] to be (a) material weakness(es).



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

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

***If you do not have significant deficiencies, delete paragraph***

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(ies) described in the accompanying Schedule of Findings and Responses *or Schedule of Findings and Questioned Costs* as item(s) [List the reference numbers of the related findings, for example, 20XX-002 and 20XX-005] to be (a) significant deficiency(ies).

**Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the \_\_\_\_\_ 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(s) of noncompliance or other matters that (is)are required to be reported under *Government Auditing Standards* and which (is)are described in the accompanying Schedule of Findings and Responses *or Schedule of Findings and Questioned Costs* as item(s) [List the reference numbers of the related findings, for example, 20XX-001, 20XX-003, and 20XX-004].

**(Or replace last sentence with the following)** The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***(If the County Judge/Executive has responded to any comments, include this paragraph)***

**Views of Responsible Official(s) and Planned Corrective Action**

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

**Purpose of this Report**

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

Respectfully submitted,

Mike Harmon  
Auditor of Public Accounts

(FW - Insert EOF/Report Date in Binder Properties)

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH UNIFORM GUIDANCE**

(Unmodified Opinion on Compliance for Each Major Federal Program; No Reportable Audit Findings of Noncompliance; No Material Weaknesses or Significant Deficiencies in Internal Control over Compliance Identified)  
See S-66 tab for versions of this letter with findings, qualified opinion, material weakness or significant deficiencies

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

The Honorable , \_\_\_\_\_ County Judge/Executive  
Members of the \_\_\_\_\_ County Fiscal Court

Report On Compliance For Each Major Federal Program  
And Report On Internal Control Over Compliance  
In Accordance With Uniform Guidance

Independent Auditor's Report

**Report on Compliance for Each Major Federal Program**

We have audited the \_\_\_\_\_ County Fiscal Court's compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the \_\_\_\_\_ County Fiscal Court's major federal programs for the year ended June 30, 20XX. The \_\_\_\_\_ County Fiscal Court's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the \_\_\_\_\_ County Fiscal Court's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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 requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the \_\_\_\_\_ County Fiscal Court's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the \_\_\_\_\_ County Fiscal Court's compliance.



Report On Compliance For Each Major Federal Program  
And Report On Internal Control Over Compliance  
In Accordance With Uniform Guidance  
(Continued)

**Opinion on Each Major Federal Program**

In our opinion, the \_\_\_\_\_ County Fiscal Court complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 20XX.

**Report on Internal Control over Compliance**

Management of the \_\_\_\_\_ County Fiscal Court is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the \_\_\_\_\_ County Fiscal Court's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the \_\_\_\_\_ County Fiscal Court's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

Mike Harmon  
Auditor of Public Accounts

(FW - Insert EOF/Report Date in Binder Properties)



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\_\_\_\_\_ COUNTY  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For The Year Ended June 30, 20XX**

**See S-62 for comprehensive guidance; remember to delete all red guidance herein**

**Section I: Summary of Auditor’s Results**

***Financial Statement***

Type of report auditor issued: Adverse on GAAP and Unmodified on Regulatory Basis

*[unmodified, qualified, adverse, or disclaimer (if there are different opinions for various opinion units, indicate the type of report for each opinion unit)]*

Internal control over financial reporting:

Are any material weaknesses identified?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Are any significant deficiencies identified?	<input type="checkbox"/> Yes	<input type="checkbox"/> None Reported
Are any noncompliances material to financial statements noted?	<input type="checkbox"/> Yes	<input type="checkbox"/> No

***Federal Awards***

Internal control over major programs:

Are any material weaknesses identified?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Are any significant deficiencies identified?	<input type="checkbox"/> Yes	<input type="checkbox"/> None Reported
Type of auditor’s report issued on compliance for major federal programs <i>[unmodified, qualified, adverse, or disclaimer]</i> :		
Are any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<input type="checkbox"/> Yes	<input type="checkbox"/> No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs: Auditee qualified as a low-risk auditee?	\$ _____	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
--	----------	---

\_\_\_\_\_ COUNTY  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 20XX**  
**(Continued)**

**Section II: Financial Statement Findings**

*State Laws And Regulations*

20XX-001 The

---

*(For all findings(State Laws and Regulations, Internal Control Material Weaknesses and Internal Control Significant Deficiencies): Copy in body from RCW/RNI – However, DO NOT include the headings (Condition and Context, Effect.....)Put the finding(s) in paragraph form.*

*(The following headings/information should follow each finding (State Laws and Regulations, Internal Control Material Weaknesses and Internal Control Significant Deficiencies):*

Views of Responsible Official and Planned Corrective Action:

*Copy in the county's response from the Views of Responsible Officials and Management's Corrective Action Plan form)*

**NOTE – IF SINGLE AUDIT, OFFICIAL'S RESPONSES (Corrective Action Plans) MUST BE ON LETTERHEAD FOR ALL FINDINGS.**

Auditor's Reply:

*(If Applicable)*

***Internal Control - Material Weaknesses***

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: (Use this if the jailer also responded. If only the J/E responds, you don't need to include this.)*

***(Same as above)***

***Internal Control - Significant Deficiencies***

Views of Responsible Official and Planned Corrective Action:

***(Same as above)***

\_\_\_\_\_ COUNTY  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 20XX**  
**(Continued)**

**Section III: Federal Award Findings And Questioned Costs**

20XX-001 The

---

*Federal Program:* CFDA (Put in CFDA title and number)

*Award Number and Year:*

*Name of Federal Agency and Pass-Through Agency:*

*Compliance Requirements:*

*Type of Finding:*

*Amount of Questioned Costs:*

*If finding causes modified opinion add here*

***(For all federal findings: Copy in body from RCW/RNI – However, DO NOT include the headings (Condition and Context, Effect.....)Put the finding(s) in paragraph form.***

*Identification of Questioned Costs and How Computed:*

*Repeat Finding:* Repeat finding of 20XX-001.

Views of Responsible Official and Planned Corrective Action:

***(Same as above)***

**Section IV: Summary Schedule of Prior Audit Findings (All PY Report findings)**

**Auditor follow-up work should document accuracy of the findings disposition. See CFR 200.511 for guidance on audit finding follow-up.**

Finding Number	Prior Year Finding Title	Status	Corrective Action
20XX-001	The Example County Fiscal Court Should Strengthen Controls Over Capital Asset Records	Unresolved	See corrective action for current year finding 20XX-002

**Note: This schedule information should be prepared by the auditee. See form in single audit section.**

**If results of current year audit procedures disclosed that the summary schedule of prior audit findings prepared by the auditee materially misrepresents the status of any prior audit finding consult with your manager. This should result in a current year finding in the schedule of findings and questioned costs.**



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

\_\_\_\_\_ **COUNTY FISCAL COURT**

**For The Year Ended June 30, 20XX**

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CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE *or LOCAL GOVERNMENT  
ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAM*

\_\_\_\_\_ COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 20XX

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

\_\_\_\_\_

County Judge/Executive

\_\_\_\_\_

County Treasurer

## Draft GAAP Audit Report Format

**REPORT OF THE AUDIT OF THE  
\_\_\_\_\_ COUNTY  
FISCAL COURT**

**For The Year Ended  
June 30, 20xx**



**MIKE HARMON  
AUDITOR OF PUBLIC ACCOUNTS  
[www.auditor.ky.gov](http://www.auditor.ky.gov)**

**209 ST. CLAIR STREET  
FRANKFORT, KY 40601-1817  
TELEPHONE (502) 564-5841  
FACSIMILE (502) 564-2912**

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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, \_\_\_\_\_ County Judge/Executive  
Members of the \_\_\_\_\_ County Fiscal Court

Independent Auditor's Report

**NOTE: This is a basic unmodified opinion. If a component auditor is involved or the audit is a single audit all letters (report and internal control) will need to be modified.**

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of \_\_\_\_\_ County, Kentucky, as of and for the year ended June 30, 20xx, and the related notes to the financial statements, which collectively comprise \_\_\_\_\_ County, Kentucky's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, 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 statements 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 statements.

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



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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of \_\_\_\_\_ County, Kentucky, as of June 30, 20xx, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the [*identify the required supplementary information, such as management's discussion and analysis and budgetary comparison information on pages XX-XX and XX-XX*] be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

If all of the RSI is omitted, the paragraph on RSI would be replaced with the following:

Management has omitted [*identify the missing required supplementary information, such as management's discussion and analysis and budgetary comparison information and RSI for pension GASB 68*] that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information. **(Modify this for appropriate language and add required RSI)**

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise \_\_\_\_\_ County Kentucky's basic financial statements. The [*identify accompanying supplementary information, such as the combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the other information, such as the introductory and statistical section*] are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

**Other Matters (Continued)**

*Other Information (Continued)*

The [identify accompanying supplementary information] is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the [identify accompanying supplementary information] is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The [identify accompanying other information] has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated (FW) on our consideration of \_\_\_\_\_ County, Kentucky'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 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 \_\_\_\_\_ County, Kentucky's internal control over financial reporting and compliance.

Based on the results of our audit, we present the accompanying comments and recommendations (*or, if single audit* Schedule of Findings and Questioned Costs) included herein, which discusses the following report comments:

- 2017-001 The Fiscal Court
- 2017-002 The Fiscal Court

Respectfully submitted,

Mike Harmon  
Auditor of Public Accounts

(FW)  
PUT EOF IN BINDER PROPERTIES

\_\_\_\_\_ COUNTY OFFICIALS

For The Year Ended June 30, 20xx

**Fiscal Court Members:**

County Judge/Executive

Magistrate

Magistrate

Magistrate

Magistrate

Magistrate

Magistrate

**Other Elected Officials:**

County Attorney

Jailer

County Clerk

Circuit Court Clerk

Sheriff

Property Valuation Administrator

Coroner

**Appointed Personnel:**

County Treasurer

Occupational Tax Collector

Finance Officer

\_\_\_\_\_ County  
**Management's Discussion and Analysis**  
**June 30, 20xx**

The financial management of \_\_\_\_\_ County, Kentucky offers readers of \_\_\_\_\_ County's financial statements this narrative overview and analysis of the financial activities of \_\_\_\_\_ County for the fiscal year ended June 30, 20xx. We encourage readers to consider the information presented here in conjunction with other information that we have furnished in our letter of transmission and the notes to the financial statements.

**Financial Highlights.**

- .....

**Overview of the Financial Statements.**

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

\_\_\_\_\_ County  
Management's Discussion and Analysis  
June 30, 20xx  
(Continued)

**Government-wide Financial Statements.**  
**(Discussion of Statement of Net Assets and Statement of Activities)**

**Fund Financial Statements.**

**Discussion of:**

**Governmental Funds**

**Proprietary Funds**

**Fiduciary Funds Financial Statements.**

**Component Units Financial Statements.**

**Notes to the Financial Statements.**

**Net Assets. Changes in Net Assets. (Financial Analysis of County as a Whole)**

**Financial Analysis of the County's Funds.**

**Proprietary Funds Overview.**

**General Fund Budgetary Highlights.**

**Capital Assets and Debt Administration.**

**Other Matters.**

**Requests For Information.**

\_\_\_\_\_ COUNTY  
STATEMENT OF NET POSITION

June 30, 20xx

\_\_\_\_\_ COUNTY  
STATEMENT OF NET POSITION

June 30, 20xx

	Primary Government		Totals	Component Units
	Governmental Activities	Business-Type Activities		
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$	\$	\$	\$
Investments				
Rent Receivable				
Rental Deposits (Restricted)				
Total Current Assets				
Noncurrent Assets:				
Land Held For Development				
Bond Issuance Costs				
Capital Assets - Net of Accumulated Depreciation				
Construction In Progress				
Land and Land Improvements				
Buildings				
Other Equipment				
Vehicles and Equipment				
Web-Site Development Costs				
Infrastructure				
Total Noncurrent Assets				
Total Assets				
Deferred Outflows of Resources				
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable				
Bonds Payable				
Financing Obligations Payable				
Total Current Liabilities				
Noncurrent Liabilities:				
Bonds Payable				
Financing Obligations Payable				
Net Pension Liability				

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

\_\_\_\_\_ COUNTY  
**STATEMENT OF NET POSITION**  
**June 30, 20xx**  
**(Continued)**

Total Liabilities	_____	_____	_____	_____
Deferred Inflows of Resources	_____	_____	_____	_____

	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Totals</b>	
<b>NET POSITION</b>				
Invested in Capital Assets, Net of Related Debt	\$	\$	\$	\$
Restricted For: Capital Projects				

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



\_\_\_\_\_ COUNTY  
**STATEMENT OF ACTIVITIES**  
**For The Year Ended June 30, 20xx**

Functions/Programs Reporting Entity	Expenses	Program Revenues Received		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental Activities:				
General Government	\$	\$	\$	\$
Protection to Persons and Property				
General Health and Sanitation				
Social Services				
Recreation and Culture				
Roads				
Airports				
Road Facilities				
Debt Service				
Capital Projects				
Total Governmental Activities				
Business-type Activities:				
Jail Canteen				
Total Business-type Activities				
Total Primary Government	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Component Units:</b>				
County Component Unit 3	\$	\$	\$	\$
County Component Unit 2				
County Component Unit				
Total Component Units	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

**General Revenues:**

## Taxes:

Real Property Taxes

Personal Property Taxes

Motor Vehicle Taxes

Other Taxes

Excess Fees

Unrestricted Investment Earnings

Gain on Sale of Assets

Miscellaneous Revenues

Accrued Interest Received

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning (Restated)

Net Position - Ending

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





\_\_\_\_\_ COUNTY  
BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 20xx

	General Fund	Road Fund	Jail Fund	Park Construction Bond Fund
<b>ASSETS</b>				
Cash and Cash Equivalents	\$	\$	\$	\$
Accounts Receivable				
Investments				
Due From Other Funds				
Total Assets				
 <b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable				
Cash Shortages				
Due To Other Funds				
Total Liabilities				
 <b>FUND BALANCES</b>				
<b>Nonspendable:</b>				
Inventory				
Permanent Fund Principal				
<b>Restricted For:</b>				
Recreation and Culture				
Protection to Persons and Property				
<b>Committed To:</b>				
General Health and Sanitation				
Roads				
<b>Assigned To:</b>				
Recreation and Culture				
Protection to Persons and Property				
Roads				
<b>Unassigned</b>				
Total Fund Balances				
Total Liabilities and				

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

\_\_\_\_\_ COUNTY  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 20xx**  
**(Continued)**

General Obligation Bond Fund	Regional Jail Corporation	Justice Center Expansion Corporation	Non- Major Funds	Total Governmental Funds
\$	\$	\$	\$	\$
_____	_____	_____	_____	_____
=====	=====	=====	=====	=====
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

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

\_\_\_\_\_ COUNTY  
**RECONCILIATION OF THE BALANCE SHEET  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION**

**June 30, 2017**

\_\_\_\_\_ COUNTY  
**RECONCILIATION OF THE BALANCE SHEET  
 GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION**

Fund Balances \$ 0 \$ 0 \$ 0 \$ 0 \$ 0

**Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position:**

Total Fund Balances	\$
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Funds.	
Accumulated Depreciation	
Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds.	
Financing Obligations	
Bonds	
Long-term Receivables	
Internal Service Fund Net Assets	_____



\_\_\_\_\_ COUNTY  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES - GOVERNMENTAL FUNDS**

**For The Year Ended June 30, 20xx**

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>Park Construction Bond Fund</u>
<b>REVENUES</b>				
Taxes	\$	\$	\$	\$
In Lieu Tax Payments				
Excess Fees				
Licenses and Permits				
Intergovernmental				
Charges for Services				
Miscellaneous				
Interest				
Total Revenues	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>EXPENDITURES</b>				
General Government				
Protection to Persons and Property				
General Health and Sanitation				
Social Services				
Recreation and Culture				
Roads				
Airports				
Road Facilities				
Debt Service:				
Principal				
Interest				
Bond Issuance Cost				
Capital Projects				
Administration				
Total Expenditures	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets				
Bond Issuance				
Discount On Bond Issuance				
Financing Obligation Proceeds				
Transfers From Other Funds				
Transfers To Other Funds				
Total Other Financing Sources (Uses)	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Net Change in Fund Balances				
Fund Balances - Beginning				
Fund Balances - Ending	<u>\$          0</u>	<u>\$          0</u>	<u>\$          0</u>	<u>\$          0</u>

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

COUNTY  
**STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**For The Year Ended June 30, 20xx**  
**(Continued)**

General Obligation Bond Fund	Regional Jail Corporation	Justice Center Expansion Corporation	Non- Major Funds	Total Governmental Funds
\$	\$	\$	\$	\$



\_\_\_\_\_ COUNTY  
**RECONCILIATION OF THE STATEMENT OF REVENUES,  
 EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

**For The Year Ended June 30, 20xx**

**Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position:**

Total Fund Balances	\$
Amounts Reported For Governmental Activities In The Statement	
Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources	
And Therefore Are Not Reported in the Funds.	
Accumulated Depreciation	
Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds.	
Financing Obligations	
Bonds	
Long-term Receivables	
Internal Service Fund Net Assets	_____

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

\_\_\_\_\_  
**COUNTY**  
**STATEMENT OF NET POSITION - PROPRIETARY FUND**  
**June 30, 20xx**

\_\_\_\_\_ COUNTY  
**STATEMENT OF NET POSITION - PROPRIETARY FUND**

**June 30, 20xx**

	<b>Business-Type Activities - Enterprise Fund</b>			<b>Totals</b>
	<b>Jail Canteen Fund</b>			
<b>Assets</b>				
Current Assets:				
Cash and Cash Equivalents	\$			\$
Accounts Receivable				
Total Current Assets				
Noncurrent Assets:				
Capital Assets:				
Vehicles and Equipment				
Less Accumulated Depreciation				
Total Noncurrent Assets				
Total Assets				
Deferred Outflows of Resources				
<b>Liabilities</b>				
Current Liabilities:				
Accounts Payable				
Total Current Liabilities				
Noncurrent Liabilities:				
Net Pension Liability				

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



\_\_\_\_\_ COUNTY  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -  
 PROPRIETARY FUND**

**For The Year Ended June 30, 20xx**

	<b>Business-Type Activities - Enterprise Fund</b>			
	<b>Jail Canteen Fund</b>			<b>Totals</b>
<b>Operating Revenues</b>				
Canteen Receipts	\$	\$	\$	\$
Total Operating Revenues				
<b>Operating Expenses</b>				
Cost of Sales				
Educational and Recreational				
Personnel Costs				
Depreciation				
Miscellaneous				
Total Operating Expenses				
Operating Income (Loss)				
<b>Nonoperating Revenues (Expenses)</b>				
Interest Income				
Inmate Pay From State				
Inmate Refunds				
Total Nonoperating Revenues (Expenses)				
Change In Net Assets				
Total Net Position - Beginning				
Total Net Position - Ending	\$ 0	\$ 0	\$ 0	\$ 0

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



\_\_\_\_\_ COUNTY  
STATEMENT OF CASH FLOWS - PROPRIETARY FUND

For The Year Ended June 30, 20xx

	<b>Business-Type Activities - Enterprise Fund</b>			<b>Totals</b>
	<b>Jail Canteen Fund</b>	<b>Regional Jail Corporation</b>	<b>Justice Center Expansion Corporation</b>	
<b>Cash Flows From Operating Activities</b>				
Cash Receipts From Customers for Sales	\$	\$	\$	\$
Cash Payments to Vendors				
Cash Payments to Employees				
Net Cash Provided (Used) By Operating Activities				
<b>Cash Flows From Noncapital Financing Activities</b>				
Inmate Pay From State				
Inmate Refunds on Accounts				
Net Cash Provided (Used) By Noncapital Financing Activities				
<b>Cash Flows From Capital and Related Financing Activities</b>				
Net Cash Provided (Used) By Capital and Related Financing Activities				
<b>Cash Flows From Investing Activities</b>				
Interest Earned				
Net Cash Provided (Used) By Investing Activities				
Net Increase (Decrease) in Cash and Cash Equivalents				
Cash and Cash Equivalents - July 1				
Cash and Cash Equivalents - June 30	\$ 0	\$ 0	\$ 0	\$ 0

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

\_\_\_\_\_ COUNTY  
**STATEMENT OF CASH FLOWS -  
 PROPRIETARY FUND**  
**For The Year Ended June 30, 20xx**  
**(Continued)**

<b>Reconciliation of Operating Income to                      Net Cash Provided (Used) by Operating                      Activities</b>	<b>Business-Type                      Activities -                      Enterprise                      Fund</b>			<b>Totals</b>
	<b>Jail                      Canteen                      Fund</b>	<b>Regional                      Jail                      Corporation</b>	<b>Justice                      Center                      Expansion                      Corporation</b>	
Operating Income (Loss)	\$ 0	\$ 0	\$ 0	\$ 0
Adjustments to Reconcile Operating Income To Net Cash Provided (Used) By Operating Activities				
Depreciation Expense				
Net Cash Provided (Used) By Operating Activities	\$ 0	\$ 0	\$ 0	\$ 0

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



\_\_\_\_\_ COUNTY  
**STATEMENT OF FIDUCIARY FUND - NET ASSETS**

**June 30, 20xx**

	<b>Agency Funds</b>		
	<b>Fund</b>	<b>Fund</b>	<b>Total Agency Funds</b>
<b>Assets</b>			
Current Assets:			
Cash and Cash Equivalents			\$
Total Assets			
<b>Liabilities</b>			
Amounts Held In Custody For Others			
Total Liabilities			
<b>Net Position</b>			
Total Net Position	\$ 0	\$ 0	\$ 0

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

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TO THE FINANCIAL STATEMENTS**

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\_\_\_\_\_  
**COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 20xx**

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

**A. Basis of Presentation**

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). (See part D for additional discussion on basis of presentation.)

**B. Reporting Entity**

The financial statements of \_\_\_\_\_ County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, as amended by GASB 14, GASB 39, and GASB 61, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented.

**Blended Component Units**

The following legally separate organizations provide their services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. These organizations' balances and transactions are reported as though they are part of the county's primary government using the blending method.

***[Provide a description of the component units included in the financial reporting entity, a description of the relationship between component units and the primary government, a discussion of the criteria for including component units ,a discussion of how component units are reported (i.e. blended or discretely presented)]***

\_\_\_\_\_ COUNTY  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 20xx**  
**(Continued)**

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

**B. Reporting Entity (Continued)**

Blended Component Units (Continued)

*[Provide a description of the component units included in the financial reporting entity, a description of the relationship between component units and the primary government, a discussion of the criteria for including component units, a discussion of how component units are reported (i.e. blended or discretely presented)]*

Discretely Presented Component Units

The component units' columns in the government-wide financial statements include the data of the following organizations. They are reported on the Statement of Net Position and the Statement of Activities in a separate column that is labeled as "Component Units" to emphasize these organizations' separateness from the fiscal court's primary government.

**If there is/are no Component Unit(s), delete this note and the following Component Unit notes.**

*[Provide a description of the component units included in the financial reporting entity, a description of the relationship between component units and the primary government, a discussion of the criteria for including component units, a discussion of how component units are reported (i.e. blended or discretely presented) and Information on how to obtain the separately issued financial statements of component units.]*

**C. \_\_\_\_\_ County Elected Officials**

Kentucky law provides for election of the officials listed below from the geographic area constituting \_\_\_\_\_ 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 statements of \_\_\_\_\_ County, Kentucky.

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

**COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 20xx**  
**(Continued)**

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

**D. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when a liability is incurred. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. The primary effect of internal activity has been eliminated from the government-wide financials.

Property taxes are recognized as revenues in the year in which they are levied. Grants and similar items are recognized as revenues once provider-imposed eligibility requirements have been met.

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 June 30, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

The Statement of Net Position presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net position. Net position is reported in three categories: 1) net investment in capital assets - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to other acquisition, construction, or improvement of those assets; 2) restricted net position - consisting of restricted assets reduced by liabilities and deferred inflows of resources related to those assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net position - net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

\_\_\_\_\_  
COUNTY  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 20xx**  
**(Continued)**

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

**D. Government-wide and Fund Financial Statements (Continued)**

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

**Governmental Funds**

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

The primary government reports the following major governmental funds:

**Add or remove major fund descriptions as necessary to agree to financial statements.**

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

Road Fund - This fund is for road and bridge construction and repair. The primary sources of revenue 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 expenditures 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 revenue 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 expenditures separately from the general fund.

Park Construction Bond Fund - The purpose of this fund is to account for funds received from a bond issuance. The funds may be used for completing major public parks land acquisition and development and for remodeling the \_\_\_\_\_ County Courthouse.

\_\_\_\_\_  
COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 20xx  
(Continued)

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

**D. Government-wide and Fund Financial Statements (Continued)**

**Governmental Funds (Continued)**

General Obligation Bond Fund - The purpose of this fund is to account for debt service requirements of general obligation bonds of the fiscal court. The Department for Local Government does not require the fiscal court to report or budget these funds.

Regional Jail Corporation Fund - The Regional Jail Corporation Fund accounts for the activities of the Regional Jail Corporation, a blended component unit of the county. The Regional Jail Corporation issued debt to build a detention facility. The Regional Jail Corporation has entered into a contract, lease, and option with the county. The Department for Local Government does not require the fiscal court to report or budget these funds.

Justice Center Expansion Corporation Fund - The Justice Center Expansion Corporation Fund accounts for the activities of the Justice Center Expansion Corporation, a blended component unit of the county. The Justice Center Expansion Corporation issued debt to build facilities and additions of the justice center. The Justice Center Expansion Corporation entered into a contract, lease, and option with the county and Administrative Office of The Courts (AOC), Commonwealth of Kentucky. The Department for Local Government does not require the fiscal court to report or budget these funds.

The primary government also has the following non-major funds: Local Government Economic Assistance Fund, Grant Fund, Park Enterprise Fund, Emergency 911 Fund, and Federal Drug Forfeiture Fund.

**Add or remove non-major funds as necessary to agree to financial statements.**

**Special Revenue Funds**

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, Grant Fund, Park Enterprise Fund, Emergency 911 Fund, and Federal Drug Forfeiture Fund are presented as special revenue funds. Special revenue funds are used to account for the proceeds of significant restricted and/or committed revenue sources and expenditures that are legally restricted or committed for specific purposes.

**Capital Projects Fund**

The Park Construction Bond Fund is presented as a capital projects fund. Capital projects funds are used to account for the financial resources to be used for the acquisition or construction of major capital facilities and purchase of capital assets.

**Debt Service Fund**

The General Obligation Bond Fund, Regional Jail Corporation Fund, and Justice Center Expansion Corporation Fund are presented as debt service funds. Debt service funds are used to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

COUNTY  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 20xx**  
**(Continued)**

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

**D. Government-wide and Fund Financial Statements (Continued)**

**Revenue Recognition**

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available (i.e. collectible within the current year or within 60 days of year-end and available to pay obligations of the current period). The revenues susceptible to accrual are property taxes, franchise taxes, special assessments, licenses, charges for services, interest income, and intergovernmental revenues. All other Governmental revenues are recognized when received. Reimbursements due for federally funded projects are accrued as revenue at the time the expenditures are made, or when received in advance, considered unearned until expenditures are made.

Nonexchange transactions, in which the county receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. Property taxes levied to finance fiscal year 2017 are recorded when there is an enforceable legal claim and when the revenue is measurable and available. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the county must provide local resources to be used for a specified purpose. On a modified accrual basis, revenue from nonexchange transactions must be available before it can be recognized.

**Expenditure Recognition**

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, which has not matured, are recognized when paid. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

**Proprietary Funds**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1). The profits generated from the sale of items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

*(Add Others as Needed. Add discussion on Internal Service Funds if Needed)*

COUNTY  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 20xx**  
**(Continued)**

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

**D. Government-wide and Fund Financial Statements (Continued)**

**Fiduciary Funds**

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. This category of funds includes pension (and other post-employment benefits) trust funds, investment trust funds, and agency funds. The county's agency fund is used to account for monies held by the county in the \_\_\_\_\_ (*modify as needed*) Fund for custodial purposes only. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

The primary government reports the following fiduciary fund:

\_\_\_ Fund - This fund accounts for funds...

FSA/HRA Fund - This fund accounts for employee and employer contributions to reimburse employees for health care expenses.

Health Reimbursement Account Fund - This fund accounts for county contributions to individual health accounts maintained for each employee.

**(Add any that may be needed such as FSA/HRA accounts and remove any not needed)**

**Presentation of Component Units**

The financial statements present the following major discretely presented component units: Component Unit 1, Component Unit 2, and Component Unit 3.

These component units are presented in separate columns in the combined financial statements. They are also reported on the Statement of Net Position and the Statement of Activities in a separate total column that is labeled as "Component Units" to emphasize these organizations' separateness from the fiscal court's primary government.

**E. Deposits and Investments**

Cash and cash equivalents include amounts on hand, demand deposits, certificates of deposit, and short-term investments with maturities of three months or less when purchased.

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).

COUNTY  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 20xx**  
**(Continued)**

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

**F. Deposits and Investments (Continued)**

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and GASB Statement No. 72, *Fair Value Measurement and Application*, investments are reported at fair value based on quoted market values. Investments in external investment pools are also covered under GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. Certain cash and investment amounts are classified on the statement of net position as restricted because applicable bond indentures or other legal provisions limit their use. Restricted cash and cash equivalents are included and use for their respective purposes.

**G. 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 in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed. Fund financial statements for governmental funds expense capital assets when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 0	
Buildings and Building Improvements	\$ 0	
Machinery and Equipment	\$ 0	
Vehicles	\$ 0	
Infrastructure	\$ 0	

**H. Long-term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes, and financing obligations are reported.

In the fund financial statements, governmental fund types recognize 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 expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

**COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 20xx**  
**(Continued)**

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

**I. Fund Equity**

In the fund financial statements, the difference between the assets and deferred outflows and liabilities and deferred inflows of governmental funds is reported as fund balance. Fund balance is divided into non-spendable and spendable components, if applicable.

Non-spendable includes amounts that must be maintained intact legally or contractually.

Spendable include the following:

- Restricted-amounts constrained for a specific purpose by external parties, constitutional provisions, or enabling legislation.
- Committed-amounts constrained for a specific purpose by the county using its highest level of decision making authority.
- Assigned-for all governmental funds, other than general fund, any remaining positive amounts not classified as non-spendable, restricted, or committed. For the general fund, amounts constrained by intent to be used for a specified purpose by the County or the delegated county committee or official given authority to assign amounts.
- Unassigned-for the general fund, amounts not classified as non-spendable, restricted, committed, or assigned. For all other governmental funds, amount expended in excess of resources that are non-spendable, restricted, committed or assigned.

For resources considered committed, the county issues an ordinance or resolution that can only be changed with another corresponding ordinance or resolution.

For resources considered assigned, the county has designated the (*sample committee or sample official*) to carry out the intent of the fiscal court.

It is the policy of the county to spend restricted resources first, when both restricted and unrestricted resources are available to spend on the activity. Once restricted resources are exhausted, then committed, assigned and unassigned resources will be spent in that order on the activity.

***(If not apparent on the balance sheet-shown in the aggregate, then amounts for each classification of fund balance must be shown in the note.)***

Encumbrances, although not reported on the balance sheet, are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Due to the modified cash basis of accounting, encumbrances can also include invoices for goods or services received at June 30, but not yet paid and not included as an accounts payable. Significant encumbrances at year end are reported by major funds and non-major funds in the aggregate and included with the commitments and contingencies note disclosure, if applicable.

\_\_\_\_\_ COUNTY  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 20xx**  
**(Continued)**

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

**J. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting 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 expenditures 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. Expenditures may not exceed budgeted appropriations at the activity level.

**Auditor should include a note describing why funds were not budgeted by the treasurer (this note is for funds that were not required to be budgeted by the treasurer. For example, component entities and public properties corporations (the bond payments are budgeted in other county funds.))**

**K. Related Organizations, Joint Venture, and Jointly Governed Organizations**

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of \_\_\_\_\_ County Fiscal Court:

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

**K. Tax Abatements**

GASB Statement No. 77 - Tax Abatement Disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015.

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

**L. Use of Estimates**

The preparation of financial statements in conformity with GAAP requirements and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

COUNTY  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 20xx**  
**(Continued)**

**M. Receivables**

In the Government-Wide Financial Statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the Government Activities include payroll taxes.

In the Governmental Fund Financial Statements, material receivables include revenue accruals, such as occupational taxes, grants, and other similar revenues since they are usually both measurable and available. Non-exchange transactions, collectable but not available, are deferred in the Governmental Fund Financial Statements in accordance with the basis of accounting. Interest and investment earnings are recorded when earned only if paid within 90 days of the year end, since they would be considered both measurable and available.

**N. Interfund Receivables and Payables**

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds.” Interfund receivables and payables between funds within Governmental Activities are eliminated in the Statement of Net Position.

**O. Compensated Absences**

*(Modify as needed to fit county. This is included as an example. Be sure to address all arrangements for compensated absence)* Fiscal Court employees earn vacation in proportion to years of service. Vacation time accrues on a per pay period basis. Vacation time may accumulate from year to year up to a maximum of thirty days. Once the maximum is reached, employees must use or forfeit the time. Employees that give proper notice receive pay for unused vacation time that has not expired.

Short-term sick leave accrues on a per pay period basis at the rate of five days per year and may accumulate up to a maximum of twelve days. Employees do not get paid for their unused sick time upon termination.

The county police and the road department have a separate contract for sick leave. These employees earn 40 hours of sick leave per year. The entire 40 hours is given to them in January. If they are still employed by the fiscal court on June 30, they receive pay for their unused sick time the following January. If they are not employed on June 30, they do not get paid for their unused sick time.

The remaining fiscal court employees also receive 40 hours of sick leave in January; however, they do not get paid for their unused sick time.

**P. New Accounting Standard**

*(Modify as necessary)*\_\_ County Fiscal Court implemented GASB Statement No. \_<include full title>. This standard requires...

\_\_\_\_\_  
**COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 20xx**  
**(Continued)**

**Note 2. Deposits and Investments**

**A. Deposits**

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

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 66.480(1)(d) and KRS 41.240. As of June 30, 2017, all deposits were covered by FDIC insurance or a properly executed collateral security agreement. *(Component Unit Discussion here (both Blended and Discrete,) if Necessary)*

**B. Investments**

As of June 30, 2017, the fiscal court has the following investments and maturities:

Type	Fair Value	Maturities (In Years)			
		Less Than 1	1-5	6-10	More Than 10
Cash Equivalents	\$	\$	\$	\$	\$
U.S. Treasury					
Mutual Funds					
Certificates of Deposit					
Investments:					
U.S. Government and					
U.S. Agencies Bonds					
U.S. Agencies CMOs					
Municipal Bonds (KY)					
Total Investments					
Total Fund Balance	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

COUNTY  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 20xx**  
**(Continued)**

**Note 2. Deposits and Investments (Continued)**

**B. Investments (Continued)**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in a transaction between market participants at the measurement date. The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets of identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described as follows:

- Level 1: Inputs are unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3: Inputs are unobservable inputs and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

When quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections, and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

At June 30, 2017, the market value for the total investment was \$\_\_\_\_. These certificates of deposit are classified as Level 1 within the fair value hierarchy.

At June 30, 2017, the fiscal court's money market funds are classified as Level 1 and its external investment pool was classified as Level 2.  
(modify as needed)

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

COUNTY  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 20xx**  
**(Continued)**

**Note 2. Deposits and Investments (Continued)**

**B. Investments (Continued)**

**Credit Risk** is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The fiscal court is statutorily limited as to credit ratings, at the time of purchase. Kentucky Revised Statute 66.480 and the fiscal court's investment policy define the following items as permissible investments:

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

The fiscal court is limited to investing no more than 20% in categories 5, 6, 7, 9, and 10 above per state statute and the fiscal court's investment policy. *As of June 30, 2015, the fiscal court does not have any investments in these categories. OR As of June 30, 2015, the fiscal court has investments of less than 20% in these categories. OR As of June 30, 2015, the fiscal court has investments of \_\_\_% in these categories which is more than 20% limit set by state statute.*

The fiscal court's rated investments, as of June 30, 2015, and the ratings are presented in the table below. All issuers of the municipal bonds are located in the Commonwealth of Kentucky.

\_\_\_\_\_ COUNTY  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 20xx**  
**(Continued)**

**Note 2. Deposits and Investments (Continued)**

**B. Investments (Continued)**

Type	Standard & Poor's/Moody's Credit Ratings					Unrated/NA	Fair Value
	AAA/Aaa	AA/Aa	A	WR			
Cash Equivalents	\$	\$	\$	\$	\$	\$	
U.S. Treasury							
Mutual Funds							
Certificates of Deposit							
Investments:							
U.S. Government and							
U.S. Agencies Bonds							
U.S. Agencies CMOs							
Municipal Bonds (KY)							
Total Investments							
Total Fund Balance	\$	0 \$	0 \$	0 \$	0 \$	0 \$	0

**Concentration of Credit Risk** is the risk of loss attributed to the magnitude of the fiscal court's investment in single issuer. U.S. Government securities and investments in mutual funds are excluded from this risk. The fiscal court does not have 5% or more of the fiscal court's investments invested in any single security. *Or More than 5 percent of the fiscal court's investments are in \_\_\_\_\_ and \_\_\_\_\_ (list name of investment). These investments are \_\_\_% and \_\_\_%, respectively, of the fiscal court's total investments. All of the investments reported in the fiscal court's \_\_\_\_\_ Fund are \_\_\_\_\_ (list name of investment).*

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

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

**OR**

\_\_\_\_\_ COUNTY  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 20xx**  
**(Continued)**

**Note 2. Deposits and Investments (Continued)**

**B. Investments (Continued)**

**Foreign Currency Risk** is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The fiscal court's exposure to foreign currency risk is as follows:

Investment	Currency	Maturity	Fair Value
			\$ 0
Total			\$ 0

The fiscal court's investments in foreign currency-denominated \_\_\_\_\_ (type of investment) were rated \_\_\_\_\_ by \_\_\_\_\_ (name of rating agency such as Standard & Poor's) and \_\_\_\_\_ by \_\_\_\_\_ (name of rating agency). The fiscal court's investment policy permits it to invest up to \_\_\_\_\_ percent of total investments in foreign currency-denominated investments. The fiscal court's current position is \_\_\_\_\_ percent.

**Note 3. Operating Leases**

The fiscal court entered into various lease agreements for vehicles to be used by various county departments. The total expense related to these leases was \$ \_\_\_\_\_ for the fiscal year ended June 30, 20xx. The future minimum lease payments for these leases are as follows:

Fiscal Year Ended June 30	Amount
2014	\$ _____
2015	\$ _____
Total Minimum Lease Payments	\$ 0

\_\_\_\_\_ COUNTY  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 20xx**  
**(Continued)**

**Note 4. Interfund Transfers**

	General Fund	Jail Fund	Non-Major Governmental Funds	Total Transfers In
Road Fund	\$	\$	\$	\$
Jail Fund				
General Obligation				
Non-Major				
Total Transfers Out	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</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. (Change reason as necessary)

COUNTY  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 20xx**  
**(Continued)**

**Note 5. Capital Assets**

Capital asset activity for the year ended June 30, 20xx was as follows:

	Reporting Entity			Ending Balance
	Beginning Balance	Increases	Decreases	
<b>Primary Government:</b>				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$	\$	\$	\$
Construction In Progress				
Total Capital Assets Not Being Depreciated				
Capital Assets, Being Depreciated:				
Buildings				
Other Equipment				
Vehicles and Equipment				
Infrastructure				
Total Capital Assets Being Depreciated				
Less Accumulated Depreciation For:				
Buildings				
Other Equipment				
Vehicles and Equipment				
Infrastructure				
Total Accumulated Depreciation				
Total Capital Assets, Being Depreciated, Net				
Governmental Activities Capital Assets, Net	\$ 0	\$ 0	\$ 0	\$ 0
<u>Business-Type Activities:</u>				
Capital Assets, Being Depreciated:				
Vehicles and Equipment	\$	\$	\$	\$
Total Capital Assets Being Depreciated				
Less Accumulated Depreciation For:				
Vehicles and Equipment				
Total Accumulated Depreciation				
Total Capital Assets, Being Depreciated, Net				
Business-Type Activities Capital Assets, Net	\$ 0	\$ 0	\$ 0	\$ 0

\_\_\_\_\_ COUNTY  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 20xx**  
**(Continued)**

**Note 5. Capital Assets (Continued)**

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$
Protection to Persons and Property	
General Health and Sanitation	
Recreation and Culture	
Roads, Including Depreciation of General Infrastructure Assets	_____
 Total Depreciation Expense - Governmental Activities	 \$ <u>0</u>

Depreciation expense was charged to functions of the Business-Type Activities as follows:

Business-Type Activities

Jail Canteen	\$ _____
 Total Depreciation Expense - Business-Type Activities	 \$ <u>0</u>

*(Capital Assets for Discretely Present Component Unit)*

**Note 6. Short-term Debt**

*(Describe – Present for Primary Government and Discretely Present Component units)*

Changes In Short-term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
	_____	_____	_____	_____	_____
Revenue Bonds	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Business-type Activities					
Short-term Liabilities	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

COUNTY  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 20xx**  
**(Continued)**

**Note 7. Long-term Debt**

**A. General Obligation Improvement Bonds, Series 1999**

The fiscal court issued obligations, dated            and payable in            annual installments beginning            , with \$            term bonds due on            , and semi-annual interest payments on the first of            at varying rates from    % to    %. The fiscal court issued the bonds for the purpose of purchasing fire protection equipment and constructing an addition to and renovating the            County Regional Detention Facility. As of June 30, 20xx, bonds outstanding were \$            . Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2014	\$	\$
2015		
2016		
2017		
2018		
2019-		
Totals	<u>\$            0</u>	<u>\$            0</u>

\_\_\_\_\_ COUNTY  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 20xx**  
**(Continued)**

**Note 7. Long-term Debt (Continued)**

**B. Changes In Long-term Liabilities**

Long-term liability activity for the year ended June 30, 20xx, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Primary Government:</b>					
<u>Governmental Activities:</u>					
General Obligation Bonds	\$	\$	\$	\$	\$
Revenue Bonds					
Financing Obligations					
Governmental Activities					
Long-term Liabilities	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

*(Long-term debt for Discretely Present Component Units and Business Types)*

**Note 8. Interest On Long-term Debt and Financing Obligations**

Debt Service on the Statement of Activities includes \$ \_\_\_\_\_ in interest on financing obligations and \$ \_\_\_\_\_ in interest on bonds and notes. *(Make Sure Amount is not more than what is on the Statement of Activities)*

**Note 9. Employee Retirement System**

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

The county's contribution for FY 2015 was \$, FY 2016 was \$, and FY 2017 was \$ \_\_\_\_\_ .

Nonhazardous

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 be allocated as follows: five percent will go to the member's account and one percent will go to the KRS insurance fund.

COUNTY  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 20xx**  
**(Continued)**

**Note 9. 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 accounts. Nonhazardous covered employees contribute five percent of their annual creditable compensation. Nonhazardous members also contribute 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 KRS Board of Directors based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a four percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

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

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

Hazardous

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

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan.

Members in the plan contribute a set percentage of their salary each month to their own accounts. Hazardous members contribute eight percent of their annual creditable compensation and also contribute 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 KRS Board of Directors based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A hazardous member's account is credited with a seven and one-half percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

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

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

COUNTY  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 20xx**  
**(Continued)**

**Note 9. Employee Retirement System (Continued)**

Health Insurance Coverage

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

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

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.

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

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

**B. Net Pension Liability**

At June 30, 2017, the \_\_\_\_\_ County Fiscal Court reported a liability of \$\_\_\_\_\_ for its proportionate share of the collective net pension liability. The total and net pension liability for CERS was actuarially measured as of June 30, 2016. As of June 30, 2017, the fiscal court's proportionate share percentage was \_\_\_\_%. This percentage is based on the long-term share of contributions by the fiscal court in relation to all other participating employers in CERS. KRS 78.510 through KRS 78.880 establishes and governs the plan. CERS information is available in the publicly issued financial report issued by Kentucky Employees Retirement System. This report can be obtained at <https://kyret.ky.gov/Employers/Resources/Pages/GASB.aspx>.

**(Modify as Necessary) (See Campbell County Fiscal Court 2016 as example)**

**<Consider including table for Deferred Outflows/Inflows Related to Pensions>**

**Actuarial Assumptions**

**Discount Rate**

**Sensitivity of the County's proportionate share of the NPL to Changes in the Discount Rate.**

COUNTY  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 20xx**  
**(Continued)**

**Note 10. Deferred Compensation**

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

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

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

**Note 11. Insurance**

For the fiscal year ended June 30, 20xx, \_\_\_\_\_ County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**Note 12. Conduit Debt**

From time to time the county has issued (bonds, notes, etc.) \_\_\_ to provide financial assistance to (xyz industrial authority, etc.) \_\_\_ 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 \_\_\_\_\_ County Fiscal Court's name as issuer, the Fiscal Court has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf it is issued. Neither the Fiscal Court nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statement. As of June 30, \_\_\_, there were @ (# of series) \_\_\_ series of (revenue bonds, notes, etc.) \_\_\_ outstanding, with an aggregate principal amount payable of \$\_\_\_\_\_.

@ - Note: If numerous instruments are outstanding, you don't need to list or describe each, just provide the aggregate total.

**(Delete if not necessary)**  
 (Change as necessary)

**Note 13. Tax Abatement(s)**

The \_\_\_ tax (include name of tax such as property tax) was abated under the authority of \_\_\_\_\_ (include authority which tax abatement was provided). The \_\_\_\_\_ is eligible to receive this tax abatement due to \_\_\_\_\_ (include criteria that recipient is eligible to receive tax abatement). The taxes are abated by \_\_\_\_\_ (provide mechanism by which taxes are abated such as reduction of assessed value). Recapture of abated taxes can occur by \_\_\_\_\_ (include provisions for recapturing abated taxes). \_\_\_\_\_ (include name of tax abatement recipient) made the following commitment(s) \_\_\_\_\_ (include information regarding the type of commitment(s) made by tax abatement recipient). For fiscal year ended June 30, 2017, \_\_\_\_\_ abated \_\_\_\_\_ taxes (name of tax) totaling \$\_\_\_\_\_ (include gross dollar amount on accrual basis). As part of the tax abatement agreement, the \_\_\_\_\_ county fiscal court (or replace with other government) committed to \_\_\_\_\_ (include info regarding commitment made by government).

\_\_\_\_\_ COUNTY  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 20xx**  
**(Continued)**

If applicable, tax abatement agreements of other governments (such as a city - These would be agreements entered into by other governments that reduce the fiscal court's tax revenues.)

The \_\_\_\_\_ (include name of government(s) that entered into the agreements) entered into a tax abatement agreement to abate \_\_\_\_\_ taxes (include name of taxes abated). For fiscal year ended June 30, 2017, the amount of taxes abated was \$\_\_\_\_\_ (include gross dollar amount of taxes abated).

**Note 14. Subsequent Events**

**Note 15. Related Party Transactions**

**Note 16. Commitments and Contingencies**

**Note 17. Prior Period Adjustments**

**Note: Estimated Infrastructure Historical Cost (Only needed if County Added Old Infrastructure- Required for Phase I and II, optional for Phase III)**



\_\_\_\_\_ COUNTY  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Budgetary Basis**

**For The Year Ended June 30, 20xx**

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$	\$	\$	\$
In Lieu Tax Payments				
Excess Fees				
Licenses and Permits				
Intergovernmental Revenue				
Charges for Services				
Miscellaneous				
Interest				
Total Revenues				
<b>EXPENDITURES</b>				
General Government				
Protection to Persons and Property				
General Health and Sanitation				
Social Services				
Recreation and Culture				
Airports				
Debt Service				
Capital Projects				
Administration				
Total Expenditures				
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)				
<b>OTHER FINANCING SOURCES (USES)</b>				
Financing Obligation Proceeds				
Transfers From Other Funds				
Transfers To Other Funds				
Total Other Financing Sources (Uses)				
Net Changes in Fund Balance				
Fund Balance - Beginning				
Fund Balance - Ending	\$           0	\$           0	\$           0	\$           0

\_\_\_\_\_ COUNTY  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Budgetary Basis**  
**For The Year Ended June 30, 20xx**  
**(Continued)**

	<b>ROAD FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental Revenue	\$	\$	\$	\$
Miscellaneous				
Interest				
Total Revenues				
<b>EXPENDITURES</b>				
Roads				
Road Facilities				
Capital Projects				
Administration				
Total Expenditures				
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)				
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds				
Total Other Financing Sources (Uses)				
Net Changes in Fund Balance				
Fund Balance - Beginning				
Fund Balance - Ending	\$ 0	\$ 0	\$ 0	\$ 0

\_\_\_\_\_ COUNTY  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Budgetary Basis**  
**For The Year Ended June 30, 20xx**  
**(Continued)**

	<b>JAIL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental Revenue	\$	\$	\$	\$
Charges for Services				
Miscellaneous				
Interest				
Total Revenues				
<b>EXPENDITURES</b>				
Protection to Persons and Property				
Debt Service				
Administration				
Total Expenditures				
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)				
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds				
Transfers To Other Funds				
Total Other Financing Sources (Uses)				
Net Changes in Fund Balance				
Fund Balance - Beginning				
Fund Balance - Ending	\$ 0	\$ 0	\$ 0	\$ 0

\_\_\_\_\_ COUNTY  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 20xx**

**Note 1. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting 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 expenditures 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. Expenditures may not exceed budgeted appropriations at the activity level.

*(If a fund that should be here (Major Special Revenue Fund) is not, please explain here)*

**Note 2. Budgetary Basis vs. GAAP**

Accounting principles applied for purposes of developing data on budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles. A schedule reconciling the fund balance on a regulatory basis at June 30, 2017, to the fund balance on an accrual basis follows:

Put in schedule



\_\_\_\_\_ COUNTY  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For The Fiscal Year Ended June 30, 20xx**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity's Identifying Number		Provided to Subrecipient	Total Federal Expenditures
<b><u>U. S. Department of</u></b>					
<i>Direct Program</i>					
Program Name (per CFDA)	#	#	**	\$ -	\$ -
<b>Total U.S. Department of _____</b>				<u>-</u>	<u>-</u>
<b><u>U. S. Department of</u></b>					
<i>Passed-Through State Department _____</i>					
Program Name (per CFDA)	#	#	**	\$ -	\$ -
<b>Total U.S. Department of _____</b>				<u>-</u>	<u>-</u>
<b><u>U. S. Department of</u></b>					
<i>Passed-Through State Department _____</i>					
Program Name (per CFDA)	#	#		\$ -	\$ -
<b>Total U.S. Department of _____</b>				<u>-</u>	<u>-</u>
<b><u>U. S. Department of</u></b>					
<i>Passed-Through State _____ Cabinet:</i>					
Program Name (per CFDA)	#	#		\$ -	\$ -
<b>Total U.S. Department of _____</b>				<u>-</u>	<u>-</u>
<b><u>U. S. Department of</u></b>					
<i>Passed-Through State Department of _____ -ARRA:</i>					
Program Name (per CFDA)	#	#		\$ -	\$ -
<b>Total U.S. Department of _____</b>				<u>-</u>	<u>-</u>
<b>Non-Cash Expenditures</b>					
<b><u>U.S. Department of</u></b>					
				\$ -	\$ -
<b>Total U.S. Department of _____</b>				<u>-</u>	<u>-</u>
<b>Total Expenditures of Federal Awards</b>				<u>\$ 0</u>	<u>\$ 0</u>

\_\_\_\_ COUNTY  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For The Fiscal Year Ended June 30, 20xx**  
**(Continued)**

\_\_\_\_\_ COUNTY  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Fiscal Year Ended June 30, 20xx**

**Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of \_\_\_\_\_ County, Kentucky under programs of the federal government for the year ended June 30, 20xx. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of \_\_\_\_\_ County, Kentucky, it is not intended to and does not present the financial position, changes in net assets, or cash flows of \_\_\_\_\_ County, Kentucky.

**Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the 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. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**Note 3. Indirect Cost Rate (per Uniform Guidance, this note stays in even if there is no indirect cost plan)**

\_\_\_\_\_ County **has not adopted an indirect cost rate or has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance. (choose one)**

**Note 4. Loan Programs (Remove if no loans)**

The \_\_\_\_\_ loan programs listed subsequently are administered directly by \_\_\_\_\_ County, Kentucky, and balances and transactions relating to these programs are included in \_\_\_\_\_ County, Kentucky basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at June 30, 20xx, consists of:

*(Insert debt schedule for loan)*

\_\_\_\_\_ COUNTY  
**COMBINING BALANCE SHEET -  
NON-MAJOR GOVERNMENTAL FUNDS  
Other Supplementary Information**

**June 30, 20xx**

\_\_\_\_\_ COUNTY  
**COMBINING BALANCE SHEET -  
 NON-MAJOR GOVERNMENTAL FUNDS**  
**Other Supplementary Information**

June 30, 20xx

	LGEA Fund	Grant Fund	Park Enterprise Fund	Emergency 911 Fund	Federal Drug Forfeiture Fund	Total Non-Major Governmental Funds
<b>ASSETS</b>						
Cash and Cash Equivalents	\$	\$	\$	\$	\$	\$
Investments						
Due From Other Funds						
Total Assets						
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITES</b>						
Cash Shortages						
Due To Other Funds						
Total Liabilities						
<b>FUND BALANCES</b>						
<b>Nonspendable:</b>						
Inventory						
Permanent Fund Principal						
<b>Restricted For:</b>						
Recreation and Culture						
Protection to Persons and Property						
<b>Committed To:</b>						
General Health and Sanitation						
Roads						
<b>Assigned To:</b>						
Recreation and Culture						
Protection to Persons and Property						
Roads						
<b>Unassigned</b>						
Total Fund Balances						
Total Liabilities and						
Fund Balances	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

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



\_\_\_\_\_ COUNTY  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS**  
**Other Supplementary Information**

For The Year Ended June 30, 20xx

	<b>LGEA Fund</b>	<b>Grant Fund</b>	<b>Park Enterprise Fund</b>	<b>Emergency 911 Fund</b>
<b>REVENUES</b>				
Taxes	\$	\$	\$	\$
Intergovernmental				
Miscellaneous				
Interest				
Total Revenues				
<b>EXPENDITURES</b>				
General Government				
Protection to Persons and Property				
Social Services				
Recreation and Culture				
Roads				
Administration				
Total Expenditures				
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)				
Net Change in Fund Balances				
Fund Balances - Beginning				
Fund Balances - Ending	\$ 0	\$ 0	\$ 0	\$ 0

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



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*  
(No Material Weaknesses Identified, No Significant Deficiencies Identified, No Reportable Instances of  
Noncompliance or Other Matters Identified)**



MIKE HARMON  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable , \_\_\_\_\_ County Judge/Executive  
Members of the \_\_\_\_\_ County Fiscal Court

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of Financial Statements  
Performed In Accordance With *Government Auditing Standards*

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 financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the \_\_\_\_\_ County Fiscal Court as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the \_\_\_\_\_ County Fiscal Court's basic financial statements, and have issued our report thereon dated .

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the \_\_\_\_\_ 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the \_\_\_\_\_ County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the \_\_\_\_\_ County Fiscal Court's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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



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

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the \_\_\_\_\_ County Fiscal Court's financial statements are free from 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

Respectfully submitted,

Mike Harmon  
Auditor of Public Accounts

(EOF)  
PUT EOF IN BINDER PROPERTIES

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*  
(No Material Weaknesses Identified; Significant Deficiencies and Reportable Instances of Noncompliance, and  
Other Matters Identified)**



MIKE HARMON  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable , \_\_\_\_\_ County Judge/Executive  
Members of the \_\_\_\_\_ County Fiscal Court

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of Financial Statements  
Performed In Accordance With *Government Auditing Standards*

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 financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the \_\_\_\_\_ County Fiscal Court as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the \_\_\_\_\_ County Fiscal Court's basic financial statements, and have issued our report thereon dated FW .

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the \_\_\_\_\_ 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the \_\_\_\_\_ County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the \_\_\_\_\_ County Fiscal Court's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying [*include the title of the schedule in which the findings are reported (e.g., Schedule of Findings and Responses or Schedule of Findings and Questioned Costs)*] that we consider to be significant deficiencies [*list the reference numbers of the related findings (e.g., 2017-1, 2017-3, and 2017-4)*].



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

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the \_\_\_\_\_ County Fiscal Court's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying [*include the title of the schedule in which the findings are reported (e.g., Schedule of Findings and Responses or Schedule of Findings and Questioned Costs)*] as items [*list the reference numbers of the related findings (e.g., 20X2-2 and 20X2-5)*].

**(If the County Judge/Executive has responded to any comments, include this paragraph)**

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

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

**Purpose of this Report**

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

Respectfully submitted,

Mike Harmon  
 Auditor of Public Accounts

(EOF)  
 PUT EOF IN BINDER PROPERTIES

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*  
(Material Weaknesses and Significant Deficiencies and Reportable Instances of Noncompliance, and Other  
Matters Identified)**



MIKE HARMON  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable , \_\_\_\_\_ County Judge/Executive  
Members of the \_\_\_\_\_ County Fiscal Court

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of Financial Statements  
Performed In Accordance With *Government Auditing Standards*

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 financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the \_\_\_\_\_ County Fiscal Court as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the \_\_\_\_\_ County Fiscal Court's basic financial statements, and have issued our report thereon dated FW .

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the \_\_\_\_\_ 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the \_\_\_\_\_ County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the \_\_\_\_\_ 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 [*include the title of the schedule in which the findings are reported (e.g., Schedule of Findings and Responses or Schedule of Findings and Questioned Costs)*], we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying [*include the title of the schedule in which the findings are reported (e.g., Schedule of Findings and Responses or Schedule of Findings and Questioned Costs)*] to be material weaknesses [*list the reference numbers of the related findings (e.g., 2017-1, 2017-3, and 2017-4)*].



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

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

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying [*include the title of the schedule in which the findings are reported (e.g. Schedule of Findings and Responses or Schedule of Findings and Questioned Costs)*] to be significant deficiencies. [*List the reference numbers of the related findings (e.g., 2017-2 and 2017-5).*] **If no significant deficiencies, remove paragraph.**

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the \_\_\_\_\_ County Fiscal Court's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying [*include the title of the schedule in which the findings are reported (e.g., Schedule of Findings and Responses or Schedule of Findings and Questioned Costs)*] as items [*list the reference numbers of the related findings (e.g., 2017-2 and 2017-5)*].

**(If the County Judge/Executive has responded to any comments, include this paragraph)**

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

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

**Purpose of this Report**

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

Respectfully submitted,

Mike Harmon  
 Auditor of Public Accounts

(EOF)  
 PUT EOF IN BINDER PROPERTIES

**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

No Findings and Unmodified Opinion on Compliance

**Note: This letter will need to be modified if you have findings related to single audit work and if the SEFA includes amounts that were audited by component auditors**



MIKE HARMON  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable , \_\_\_\_\_ County Judge/Executive  
Members of the \_\_\_\_\_ County Fiscal Court

Report On Compliance For Each Major Program And Report On Internal Control  
Over Compliance In Accordance With The Uniform Guidance

Independent Auditor's Report

**Report on Compliance for Each Major Federal Program**

We have audited the \_\_\_\_\_ County Fiscal Court's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the \_\_\_\_\_ County Fiscal Court's major federal programs for the year ended June 30, 2017. The \_\_\_\_\_ County Fiscal Court's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the \_\_\_\_\_ County Fiscal Court's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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 requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the \_\_\_\_\_ County Fiscal Court's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the \_\_\_\_\_ County Fiscal Court's compliance.

***Opinion on Each Major Federal Program***



In our opinion, the \_\_\_\_\_ County Fiscal Court complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report On Compliance For Each Major Program And Report On Internal Control  
Over Compliance In Accordance With The Uniform Guidance  
(Continued)

**Report on Internal Control over Compliance**

Management of the \_\_\_\_\_ County Fiscal Court is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the \_\_\_\_\_ County Fiscal Court's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the \_\_\_\_\_ County Fiscal Court's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

Mike Harmon  
Auditor of Public Accounts

(EOF)  
PUT EOF IN BINDER PROPERTIES



\_\_\_\_\_ COUNTY  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For The Year Ended June 30, 20xx**

**See S-62 for comprehensive guidance; remember to delete all red guidance herein**

**Section I: Summary of Auditor's Results**

Type of report auditor issued:

*[unmodified, qualified, adverse, or disclaimer (if there are different opinions for various opinion units, indicate the type of report for each opinion unit)]*

Internal control over financial reporting:

Are any material weaknesses identified?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Are any significant deficiencies identified?	<input type="checkbox"/> Yes	<input type="checkbox"/> None Reported
Are any noncompliances material to financial statements noted?	<input type="checkbox"/> Yes	<input type="checkbox"/> No

**Federal Awards**

Internal control over major programs:

Are any material weaknesses identified?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Are any significant deficiencies identified?	<input type="checkbox"/> Yes	<input type="checkbox"/> None Reported
Type of auditor's report issued on compliance for major federal programs [ <i>unmodified, qualified, adverse, or disclaimer</i> ]:		
Are any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<input type="checkbox"/> Yes	<input type="checkbox"/> No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	\$ _____
Auditee qualified as a low-risk auditee?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 20xx  
(Continued)

**Section II: Financial Statement Findings**

*State Laws And Regulations*

2017-001    The Fiscal Court

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*(For all findings(State Laws and Regulations, Internal Control Material Weaknesses and Internal Control Significant Deficiencies): Copy in body from RCW/RNI – However, DO NOT include the headings (Condition and Context, Effect.....)Put the finding(s) in paragraph form.*

*(The following headings/information should follow each finding (State Laws and Regulations, Internal Control Material Weaknesses and Internal Control Significant Deficiencies):*

Views of Responsible Official and Planned Corrective Action:

*Copy in the county’s response from the Views of Responsible Officials and Management’s Corrective Action Plan form) If the official does not respond, use the following statement. The official did not provide a response.*

*Prepared by:*

*Date Prepared:*

*Person Responsible for Corrective Action Plan:*

*Anticipated Completion Date:*

Auditor’s Reply:

*(If Applicable)*

***Internal Control - Material Weaknesses***

Views of Responsible Official and Planned Corrective Action:

*(Same as above)*

***Internal Control - Significant Deficiencies***

Views of Responsible Official and Planned Corrective Action:

*(Same as above)*

\_\_\_\_\_ COUNTY  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 20xx**  
**(Continued)**

**Section III: Federal Award Findings And Questioned Costs**

2017-001: The Fiscal Court

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*Federal Program:* CFDA (Put in CFDA title and number)

*Award Number and Year:*

*Name of Federal Agency and Pass-Through Agency:*

*Compliance Requirements:*

*Type of Finding:*

*Amount of Questioned Costs:*

*If finding causes modified opinion add here*

*(For all federal findings: Copy in body from RCW/RNI – However, DO NOT include the headings (Condition and Context, Effect.....) Put the finding(s) in paragraph form.*

*Identification of Questioned Costs and How Computed:*

*Repeat Finding:* Repeat finding of 20XX-001.

Views of Responsible Official and Planned Corrective Action:

*(Same as above)*

**Section IV: Summary Schedule of Prior Audit Findings (All PY Report findings)**

*Auditor follow-up work should document accuracy of the findings disposition. See CFR 200.511 for guidance on audit finding follow-up.*

**If results of current year audit procedures disclosed that the summary schedule of prior audit findings prepared by the auditee materially misrepresents the status of any prior audit finding consult with your manager. This should result in a current year finding in the schedule of findings and questioned costs.**

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

\_\_\_\_\_ COUNTY FISCAL COURT

**For The Fiscal Year Ended  
June 30, 20xx**





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

State law requires the Auditor of Public Accounts to annually audit fiscal courts, county clerks, and sheriffs; and print the results in a newspaper having general circulation in the county. The complete audit and any other audit of state agencies, fiscal courts, county clerks, sheriffs, and property valuation administrators may be viewed in the reports section of the Auditor of Public Accounts' website at [www.auditor.ky.gov](http://www.auditor.ky.gov) or upon request by calling 1-800-247-9126.

209 ST. CLAIR STREET  
FRANKFORT, KY 40601-1817

TELEPHONE 502.564.5841  
FACSIMILE 502.564.2912  
WWW.AUDITOR.KY.GOV

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