

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

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



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

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

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

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

Respectfully submitted,

Mike Harmon  
Auditor of Public Accounts

Enclosure





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

**June 30, 2016**

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

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

**Financial Condition:**

The Logan County Fiscal Court had total receipts of \$13,915,809 and disbursements of \$13,397,847 in fiscal year 2016. This resulted in a total ending fund balance of \$15,863,408, which is an increase of \$8,170,354 from the prior year.

**Finding:**

2016-001 The Logan County Jail Did Not Have Sufficient Internal Controls Or Maintain Proper Records For The Jail Commissary Fund

**Deposits:**

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



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CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM





**TICHENOR & ASSOCIATES, LLP**  
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To the People of Kentucky  
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Independent Auditor's Report

**Report on the Financial Statement**

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Logan County Fiscal Court, for the year ended June 30, 2016, and the related notes to the financial statement which collectively comprise the Logan County Fiscal Court's financial statement as listed in the table of contents.

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

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

**Auditor's Responsibility**

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

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

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

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

As described in Note 1 of the financial statement, the financial statement is prepared by the Logan County Fiscal Court on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Logan County Fiscal Court as of June 30, 2016, or changes in financial position or cash flows thereof for the year then ended.

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

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

### **Other Matters**

#### *Supplementary Information*

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

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

To the People of Kentucky  
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Honorable Logan Chick, Logan County Judge/Executive  
Members of the Logan County Fiscal Court

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2017, on our consideration of the Logan County Fiscal Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Logan County Fiscal Court's internal control over financial reporting and compliance.

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

2016-001 The Logan County Jail Did Not Have Sufficient Internal Controls Or Maintain Proper Records For The Jail Commissary Fund

Respectfully submitted,

*Tichenor & Associates, LLP*

Tichenor & Associates, LLP  
Certified Public Accountants

January 10, 2017

LOGAN COUNTY OFFICIALS

For The Year Ended June 30, 2016

**Fiscal Court Members:**

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

**Other Elected Officials:**

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

**Appointed Personnel:**

Amanda Warren	County Treasurer
Karen Taylor	Finance Officer

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

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

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

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

	<u>Budgeted Funds</u>		
	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>
<b>RECEIPTS</b>			
Taxes	\$ 2,210,364	\$	\$
In Lieu Tax Payments	217,975		
Licenses and Permits	24,433		
Intergovernmental	1,924,923	2,377,345	1,245,451
Charges for Services			50,332
Miscellaneous	120,208	8,704	153,373
Interest			
Total Receipts	<u>4,497,903</u>	<u>2,386,049</u>	<u>1,449,156</u>
<b>DISBURSEMENTS</b>			
General Government	3,887,773	357	
Protection to Persons and Property	687,756		1,737,916
General Health and Sanitation	300		
Social Services	475		
Recreation and Culture	37,721		
Roads		2,173,920	
Bus Services			
Debt Service			317,365
Capital Projects		105,941	
Administration	533,343	186,892	354,419
Total Disbursements	<u>5,147,368</u>	<u>2,467,110</u>	<u>2,409,700</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(649,465)</u>	<u>(81,061)</u>	<u>(960,544)</u>
<b>Other Adjustments to Cash (Uses)</b>			
Bond Proceeds			
Transfers From Other Funds	391,000		1,025,000
Transfers To Other Funds			
Total Other Adjustments to Cash (Uses)	<u>391,000</u>		<u>1,025,000</u>
Net Change in Fund Balance	(258,465)	(81,061)	64,456
Fund Balance - Beginning (Restated)	846,941	144,260	81,248
Fund Balance - Ending	<u>\$ 588,476</u>	<u>\$ 63,199</u>	<u>\$ 145,704</u>
<b>Composition of Fund Balance</b>			
Bank Balance	\$ 699,407	\$ 249,736	\$ 198,168
Plus: Deposits In Transit	32		
Less: Outstanding Checks	(110,963)	(186,537)	(52,464)
Investments			
Fund Balance - Ending	<u>\$ 588,476</u>	<u>\$ 63,199</u>	<u>\$ 145,704</u>

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

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

<b>Budgeted Funds</b>					
<b>Local Government Economic Assistance Fund</b>	<b>Solid Waste Fund</b>	<b>Occupational Tax Fund</b>	<b>Lifeskills Fund</b>	<b>911 Fund</b>	<b>Special Reserve Fund</b>
\$	\$ 70,534	\$ 3,227,647	\$	\$ 311,366	\$
108,344	50,133				
	25,905			59	
506					6,886
<u>108,850</u>	<u>146,572</u>	<u>3,227,647</u>		<u>311,425</u>	<u>6,886</u>
458,000		66,133			
				481,733	
112,015	170,114				
31,141					
57,983					
33,471					
1,041					
	21,029	21,020		163,554	
<u>693,651</u>	<u>191,143</u>	<u>87,153</u>		<u>645,287</u>	
(584,801)	(44,571)	3,140,494		(333,862)	6,886
585,000				337,000	
		(2,338,000)			
<u>585,000</u>		<u>(2,338,000)</u>		<u>337,000</u>	
199	(44,571)	802,494		3,138	6,886
6,304	956,846	1,349,311	152,842	41,724	3,674,651
<u>\$ 6,503</u>	<u>\$ 912,275</u>	<u>\$ 2,151,805</u>	<u>\$ 152,842</u>	<u>\$ 44,862</u>	<u>\$ 3,681,537</u>
\$ 12,422	\$ 915,133	\$ 2,151,893	\$ 152,842	\$ 46,211	\$ 3,681,537
(5,919)	(2,858)	(88)		(1,349)	
<u>\$ 6,503</u>	<u>\$ 912,275</u>	<u>\$ 2,151,805</u>	<u>\$ 152,842</u>	<u>\$ 44,862</u>	<u>\$ 3,681,537</u>

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

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

	<u>Unbudgeted Funds</u>			<u>Total Funds</u>
	<u>Public Properties Corporation Detention Center Fund</u>	<u>Public Properties Corporation Justice Center Fund</u>	<u>Jail Commissary Fund</u>	
<b>RECEIPTS</b>				
Taxes	\$	\$	\$	\$ 5,819,911
In Lieu Tax Payments				217,975
Licenses and Permits				24,433
Intergovernmental	317,365	1,071,395		7,094,956
Charges for Services				50,332
Miscellaneous		100,596	279,778	688,623
Interest	12,187			19,579
Total Receipts	<u>329,552</u>	<u>1,171,991</u>	<u>279,778</u>	<u>13,915,809</u>
<b>DISBURSEMENTS</b>				
General Government				4,412,263
Protection to Persons and Property	327,700			3,235,105
General Health and Sanitation				282,429
Social Services				31,616
Recreation and Culture			260,501	356,205
Roads				2,173,920
Bus Services				33,471
Debt Service		1,069,194		1,386,559
Capital Projects				106,982
Administration		99,040		1,379,297
Total Disbursements	<u>327,700</u>	<u>1,168,234</u>	<u>260,501</u>	<u>13,397,847</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>1,852</u>	<u>3,757</u>	<u>19,277</u>	<u>517,962</u>
<b>Other Adjustments to Cash (Uses)</b>				
Bond Proceeds		7,652,392		7,652,392
Transfers From Other Funds				2,338,000
Transfers To Other Funds				(2,338,000)
Total Other Adjustments to Cash (Uses)		<u>7,652,392</u>		<u>7,652,392</u>
Net Change in Fund Balance	1,852	7,656,149	19,277	8,170,354
Fund Balance - Beginning (Restated)	349,261		89,666	7,693,054
Fund Balance - Ending	<u>\$ 351,113</u>	<u>\$ 7,656,149</u>	<u>\$ 108,943</u>	<u>\$ 15,863,408</u>
<b>Composition of Fund Balance</b>				
Bank Balance	\$ 15,356	\$ 7,656,149	\$ 110,780	\$ 15,889,634
Deposits In Transit			1,615	1,647
Less Outstanding Checks			(3,452)	(363,630)
Investments	<u>335,757</u>			<u>335,757</u>
Ending Fund Balance	<u>\$ 351,113</u>	<u>\$ 7,656,149</u>	<u>\$ 108,943</u>	<u>\$ 15,863,408</u>

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



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TO THE FINANCIAL STATEMENT**

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**LOGAN COUNTY**  
**NOTES TO FINANCIAL STATEMENT**

**June 30, 2016**

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

**A. Reporting Entity**

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

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

**B. Basis of Accounting**

The financial statement is presented on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the 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.

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

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

**C. Basis of Presentation (Continued)**

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

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of receipts for this fund are reimbursements from the state and federal governments, payments from other counties for housing prisoners, and transfers from the general fund. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the general fund.

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

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

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

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

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

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

**Unbudgeted Funds**

The fiscal court reports the following unbudgeted funds:

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

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

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

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

**C. Basis of Presentation (Continued)**

**Unbudgeted Funds (Continued)**

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

**D. Budgetary Information**

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

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

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

The State Local Finance Officer does not require the jail commissary fund to be budgeted because the fiscal court does not approve the expenses of this fund.

The State Local Finance Officer does not require the public properties corporation detention center fund and the public properties corporation justice center fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from these funds annually.

**E. Logan County Elected Officials**

Kentucky law provides for election of the officials listed below from the geographic area constituting Logan County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statement of the Logan County Fiscal Court.

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

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

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

**F. Deposits and Investments**

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

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

**G. Long-term Obligations**

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

**Note 2. Deposits and Investments**

**A. Deposits**

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

**Custodial Credit Risk - Deposits**

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

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

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

**B. Investments**

As of June 30, 2016, the fiscal court had the following investments and maturities:

Type	Cost Basis	Maturities (In Years)	
		Less Than 1	1-5
Cash Equivalents	\$ 15,512,295	\$ 15,512,295	\$
U.S. Treasury			
Mutual Funds	15,356	15,356	
Investments:			
U.S. Government and			
U.S. Agencies Bonds	335,757		335,757
Total Investments	335,757		335,757
Total Fund Balance	\$ 15,863,408	\$ 15,527,651	\$ 335,757

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

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

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

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

**B. Investments (Continued)**

**Credit Risk (Continued)**

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

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

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

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

**Note 3. Transfers**

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

	Occupational Tax Fund	Total Transfers In
General Fund	\$ 391,000	\$ 391,000
Jail Fund	1,025,000	1,025,000
LGEA Fund	585,000	585,000
911 Fund	337,000	337,000
	<hr/>	<hr/>
Total Transfers Out	<u>\$ 2,338,000</u>	<u>\$ 2,338,000</u>

Reason for transfers:

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

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

**Note 4. Long-term Debt**

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

On March 1, 2008, the Logan County Public Properties Corporation issued First Mortgage Revenue Bonds (Justice Center Project), Series 2008, to provide funding for the construction of the Logan County Judicial Center. The total bond issue was in the amount of \$14,775,000, with interest rates varying between 2.50 percent and 4.25 percent. Interest is payable on February 1 and August 1 of each year. Principal is payable annually on February 1. The Logan County Fiscal Court entered into a lease agreement with the Kentucky Administrative Office of the Courts in order to provide funding to meet annual debt service requirements. On March 1, 2016, the Logan County Public Properties Corporation issued First Mortgage Refunding Revenue Bonds (Justice Center Project), Series 2016 to advance refund \$7,175,000 of this principal balance. \$7,652,392 was placed in an escrow fund to pay the advance refunding. The advanced refunded bonds will be called on February 1, 2018. Total principal balance outstanding as of June 30, 2016 was \$10,015,000. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2017	\$ 675,000	\$ 104,950
2018	7,870,000	102,717
2019	720,000	57,000
2020	750,000	30,000
Totals	<u>\$ 10,015,000</u>	<u>\$ 294,667</u>

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

On March 4, 2010, the Logan County Public Properties Corporation issued First Mortgage Revenue Refunding Bonds (Detention Facilities Project), Series 2010, to refund the First Mortgage Revenue Bonds (Detention Facility Project), Series 1998. The total bond issue was in the amount of \$3,835,000, with interest rates varying between two percent and four percent. Interest is payable on March 1 and September 1 of each year. Principal is payable annually on September 1. Total principal balance outstanding as of June 30, 2016, was \$2,525,000. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2017	\$ 240,000	\$ 91,225
2018	245,000	83,644
2019	255,000	75,200
2020	265,000	65,769
2021	280,000	55,200
2022-2025	1,240,000	101,800
Totals	<u>\$ 2,525,000</u>	<u>\$ 472,838</u>



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

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

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

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

Fiscal Year Ending June 30	Principal	Interest
2017	\$	\$ 179,604
2018		200,800
2019		200,800
2020	50,000	250,800
2021	870,000	1,069,800
2022-2026	4,635,000	5,338,500
2027-2028	2,040,000	2,132,250
Totals	<u>\$ 7,595,000</u>	<u>\$ 9,372,554</u>

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

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds	\$ 13,420,000	\$ 7,595,000	\$ 880,000	\$ 20,135,000	\$ 915,000
Total Long-term Debt	<u>\$ 13,420,000</u>	<u>\$ 7,595,000</u>	<u>\$ 880,000</u>	<u>\$ 20,135,000</u>	<u>\$ 915,000</u>

**Note 5. Commitments and Contingencies**

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

**Note 6. Employee Retirement System**

**Plan Description**

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

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

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

**Plan Description (Continued)**

death benefits to plan members. Retirement benefits may be extended to beneficiaries of the plan members under certain circumstances. Benefit contributions and provisions are established by statute.

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

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

The county's contribution for FY 2014 was \$634,284, FY 2015 was \$577,588, and FY 2016 was \$564,871.

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

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

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

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

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

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

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

**Plan Description (Continued)**

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

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

**Note 7. Deferred Compensation**

On June 30, 2000, the Logan County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees, and employees of local political subdivisions that have elected to participate.

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

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

**Note 8. Health Reimbursement Account/Flexible Spending Account**

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

**Note 9. Insurance**

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

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

**Note 10. Conduit Debt**

From time to time, the county has issued bonds to provide financial assistance to private corporations for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest, in accordance with KRS 103.210. This debt may take the form of certain types of limited-obligation revenue bonds, certificates of participation, or similar debt instruments. Although conduit debt obligations bear the Logan County Fiscal Court's name as issuer, the fiscal court has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf it is issued. Neither the fiscal court nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statement. As of June 30, 2016, conduit debt has been issued but the amount currently outstanding is not reasonably determinable.

**Note 11. Prior Period Adjustments**

The county treasurer voided prior year outstanding checks. The voided prior year checks resulted in an increase to the beginning balance of the general fund of \$2,562, road fund of \$16, and jail fund of \$32.

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

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



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

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

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 1,931,300	\$ 1,931,300	\$ 2,210,364	\$ 279,064
In Lieu Tax Payments	164,468	164,468	217,975	53,507
Licenses and Permits	24,492	24,492	24,433	(59)
Intergovernmental	2,287,382	2,287,382	1,924,923	(362,459)
Miscellaneous	21,600	38,878	120,208	81,330
Total Receipts	<u>4,429,242</u>	<u>4,446,520</u>	<u>4,497,903</u>	<u>51,383</u>
<b>DISBURSEMENTS</b>				
General Government	4,445,025	4,574,602	3,887,773	686,829
Protection to Persons and Property	685,518	717,078	687,756	29,322
General Health and Sanitation	300	300	300	
Social Services	1,000	1,000	475	525
Recreation and Culture	428,471	428,471	37,721	390,750
Capital Projects	96,803	96,803		96,803
Administration	617,519	603,029	533,343	69,686
Total Disbursements	<u>6,274,636</u>	<u>6,421,283</u>	<u>5,147,368</u>	<u>1,273,915</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,845,394)</u>	<u>(1,974,763)</u>	<u>(649,465)</u>	<u>1,325,298</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	<u>1,023,664</u>	<u>1,023,664</u>	<u>391,000</u>	<u>(632,664)</u>
Total Other Adjustments to Cash (Uses)	<u>1,023,664</u>	<u>1,023,664</u>	<u>391,000</u>	<u>(632,664)</u>
Net Change in Fund Balance	(821,730)	(951,099)	(258,465)	692,634
Fund Balance - Beginning (Restated)	<u>821,730</u>	<u>821,730</u>	<u>846,941</u>	<u>25,211</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (129,369)</u>	<u>\$ 588,476</u>	<u>\$ 717,845</u>

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

	<b>ROAD FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 2,115,078	\$ 2,307,378	\$ 2,377,345	\$ 69,967
Miscellaneous	1,000	1,000	8,704	7,704
Total Receipts	<u>2,116,078</u>	<u>2,308,378</u>	<u>2,386,049</u>	<u>77,671</u>
<b>DISBURSEMENTS</b>				
General Government	500	500	357	143
Roads	2,223,589	2,407,075	2,173,920	233,155
Capital Projects	100,000	105,941	105,941	
Administration	249,302	252,175	186,892	65,283
Total Disbursements	<u>2,573,391</u>	<u>2,765,691</u>	<u>2,467,110</u>	<u>298,581</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(457,313)</u>	<u>(457,313)</u>	<u>(81,061)</u>	<u>376,252</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	<u>313,493</u>	<u>313,493</u>		<u>(313,493)</u>
Total Other Adjustments to Cash (Uses)	<u>313,493</u>	<u>313,493</u>		<u>(313,493)</u>
Net Change in Fund Balance	(143,820)	(143,820)	(81,061)	62,759
Fund Balance - Beginning (Restated)	<u>143,820</u>	<u>143,820</u>	<u>144,260</u>	<u>440</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 63,199</u>	<u>\$ 63,199</u>



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

<b>JAIL FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 752,100	\$ 1,203,100	\$ 1,245,451	\$ 42,351
Charges for Services	30,300	30,300	50,332	20,032
Miscellaneous	83,350	83,350	153,373	70,023
Total Receipts	<u>865,750</u>	<u>1,316,750</u>	<u>1,449,156</u>	<u>132,406</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	1,558,493	1,808,631	1,737,916	70,715
Debt Service	317,365	317,365	317,365	
Administration	436,399	637,261	354,419	282,842
Total Disbursements	<u>2,312,257</u>	<u>2,763,257</u>	<u>2,409,700</u>	<u>353,557</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,446,507)</u>	<u>(1,446,507)</u>	<u>(960,544)</u>	<u>485,963</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	1,362,242	1,362,242	1,025,000	(337,242)
Total Other Adjustments to Cash (Uses)	<u>1,362,242</u>	<u>1,362,242</u>	<u>1,025,000</u>	<u>(337,242)</u>
Net Change in Fund Balance	(84,265)	(84,265)	64,456	148,721
Fund Balance - Beginning (Restated)	<u>84,265</u>	<u>84,265</u>	<u>81,248</u>	<u>(3,017)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 145,704</u>	<u>\$ 145,704</u>

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

**LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 75,000	\$ 75,000	\$ 108,344	\$ 33,344
Charges for Services	600	600	506	(94)
Total Receipts	<u>75,600</u>	<u>75,600</u>	<u>108,850</u>	<u>33,250</u>
<b>DISBURSEMENTS</b>				
General Government	508,000	508,000	458,000	50,000
General Health and Sanitation	93,000	112,500	112,015	485
Social Services	36,900	41,855	31,141	10,714
Recreation and Culture	50,699	60,744	57,983	2,761
Airports	49,000	49,000	33,471	15,529
Administration	12,121	12,121	1,041	11,080
Total Disbursements	<u>749,720</u>	<u>784,220</u>	<u>693,651</u>	<u>90,569</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(674,120)</u>	<u>(708,620)</u>	<u>(584,801)</u>	<u>123,819</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	<u>669,120</u>	<u>669,120</u>	<u>585,000</u>	<u>(84,120)</u>
Total Other Adjustments to Cash (Uses)	<u>669,120</u>	<u>669,120</u>	<u>585,000</u>	<u>(84,120)</u>
Net Change in Fund Balance	(5,000)	(39,500)	199	39,699
Fund Balance - Beginning	<u>5,000</u>	<u>5,000</u>	<u>6,304</u>	<u>1,304</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (34,500)</u>	<u>\$ 6,503</u>	<u>\$ 41,003</u>

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

**SOLID WASTE FUND**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
License and Permits	\$ 20,000	\$ 20,000	\$ 70,534	\$ 50,534
Intergovernmental	46,862	46,862	50,133	3,271
Miscellaneous	37,200	37,200	25,905	(11,295)
Total Receipts	<u>104,062</u>	<u>104,062</u>	<u>146,572</u>	<u>42,510</u>
<b>DISBURSEMENTS</b>				
General Health and Sanitation	181,717	195,119	170,114	25,005
Administration	247,345	110,073	21,029	89,044
Total Disbursements	<u>429,062</u>	<u>305,192</u>	<u>191,143</u>	<u>114,049</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(325,000)</u>	<u>(201,130)</u>	<u>(44,571)</u>	<u>156,559</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds	<u>(175,000)</u>	<u>(175,000)</u>		<u>175,000</u>
Total Other Adjustments to Cash (Uses)	<u>(175,000)</u>	<u>(175,000)</u>		<u>175,000</u>
Net Change in Fund Balance	(500,000)	(376,130)	(44,571)	331,559
Fund Balance - Beginning	<u>500,000</u>	<u>500,000</u>	<u>956,846</u>	<u>456,846</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 123,870</u>	<u>\$ 912,275</u>	<u>\$ 788,405</u>

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

<b>OCCUPATIONAL TAX FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 2,645,000	\$ 2,645,000	\$ 3,227,647	\$ 582,647
Total Receipts	<u>2,645,000</u>	<u>2,645,000</u>	<u>3,227,647</u>	<u>582,647</u>
<b>DISBURSEMENTS</b>				
General Government	105,037	104,541	66,133	38,408
Administration	153,503	113,999	21,020	92,979
Total Disbursements	<u>258,540</u>	<u>218,540</u>	<u>87,153</u>	<u>131,387</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>2,386,460</u>	<u>2,426,460</u>	<u>3,140,494</u>	<u>714,034</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds	(3,664,460)	(3,664,460)	(2,338,000)	1,326,460
Total Other Adjustments to Cash (Uses)	<u>(3,664,460)</u>	<u>(3,664,460)</u>	<u>(2,338,000)</u>	<u>1,326,460</u>
Net Change in Fund Balance	(1,278,000)	(1,238,000)	802,494	2,040,494
Fund Balance - Beginning	<u>1,278,000</u>	<u>1,278,000</u>	<u>1,349,311</u>	<u>71,311</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 40,000</u>	<u>\$ 2,151,805</u>	<u>\$ 2,111,805</u>

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

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

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

<b>911 FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 303,000	\$ 303,000	\$ 311,366	\$ 8,366
Miscellaneous	150	150	59	(91)
Total Receipts	<u>303,150</u>	<u>303,150</u>	<u>311,425</u>	<u>8,275</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	584,240	599,211	481,733	117,478
Administration	229,351	214,380	163,554	50,826
Total Disbursements	<u>813,591</u>	<u>813,591</u>	<u>645,287</u>	<u>168,304</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(510,441)</u>	<u>(510,441)</u>	<u>(333,862)</u>	<u>176,579</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	470,941	470,941	337,000	(133,941)
Total Other Adjustments to Cash (Uses)	<u>470,941</u>	<u>470,941</u>	<u>337,000</u>	<u>(133,941)</u>
Net Change in Fund Balance	(39,500)	(39,500)	3,138	42,638
Fund Balance - Beginning	39,500	39,500	41,724	2,224
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 44,862</u>	<u>\$ 44,862</u>

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

<b>SPECIAL RESERVE FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Interest	\$ 4,050	\$ 4,050	\$ 6,886	\$ 2,836
Total Receipts	<u>4,050</u>	<u>4,050</u>	<u>6,886</u>	<u>2,836</u>
<b>DISBURSEMENTS</b>				
Administration	<u>3,678,722</u>	<u>3,678,722</u>		<u>3,678,722</u>
Total Disbursements	<u>3,678,722</u>	<u>3,678,722</u>		<u>3,678,722</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(3,674,672)</u>	<u>(3,674,672)</u>	<u>6,886</u>	<u>3,681,558</u>
Net Change in Fund Balance	(3,674,672)	(3,674,672)	6,886	3,681,558
Fund Balance - Beginning	<u>3,674,672</u>	<u>3,674,672</u>	<u>3,674,651</u>	<u>(21)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,681,537</u>	<u>\$ 3,681,537</u>

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

**June 30, 2016**

**Note 1. Budgetary Information**

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

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

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



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



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

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

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 2,376,428	\$	\$	\$ 2,376,428
Land Improvements	213,119	120,973		334,092
Buildings	20,125,280	182,916		20,308,196
Construction In Progress	22,878		22,878	
Vehicles	1,387,715	293,127	54,257	1,626,585
Equipment	3,495,715	58,608	56,721	3,497,602
Infrastructure	13,495,758	1,158,425		14,654,183
 Total Capital Assets	 <u>\$ 41,116,893</u>	 <u>\$ 1,814,049</u>	 <u>\$ 133,856</u>	 <u>\$42,797,086</u>

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

**June 30, 2016**

**Note 1. Capital Assets**

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

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

**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***



**TICHENOR & ASSOCIATES, LLP**  
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The Honorable Logan Chick, Logan County Judge/Executive  
Members of the Logan County Fiscal Court

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

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Logan County Fiscal Court for the fiscal year ended June 30, 2016, and the related notes to the financial statement which collectively comprise the Logan County Fiscal Court's financial statement and have issued our report thereon dated January 10, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statement, we considered the Logan County Fiscal Court's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Logan County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Logan County Fiscal Court's internal control.

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

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

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

**Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the Logan County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2016-001.

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

Logan County's views and planned corrective action for the finding identified in our audit are included in the accompanying Schedule of Findings and Responses. The county's response was not subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we express no opinion on it.

**Purpose of this Report**

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

Respectfully submitted,

*Tichenor & Associates, LLP*

Tichenor & Associates, LLP  
Certified Public Accountants

January 10, 2017



**LOGAN COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES**

**Fiscal Year Ended June 30, 2016**



**LOGAN COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES**

**Fiscal Year Ended June 30, 2016**

FINANCIAL STATEMENT FINDING:

2016-001 The Logan County Jail Did Not Have Sufficient Internal Controls Or Maintain Proper Records For The Jail Commissary Fund

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The Logan County Jail had the following deficiencies:

- Lack of segregation of duties because the bookkeeper collects money, makes deposits, prepares daily checkouts, writes checks, prepares ledgers, and reconciles the jail commissary account.
- No daily checkout sheets were being maintained to support receipts that were collected or deposited.
- Deposits were not made daily.
- Deposits, including significant amounts of cash, were left in the collection machines for long periods of time without being collected and deposited into the bank account. Several deposits included collections of over a week's worth of receipts.
- Receipts were prepared by computerized software; however, receipts were not provided to inmates or batched daily to prepare the deposit of the days funds.
- Jail fees were not turned over to the county treasurer in a timely manner. For example, October 2015 fees were not received by the county treasurer until January 12, 2016.

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

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

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

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

FINANCIAL STATEMENT FINDING (Continued)

2016-001 The Logan County Jail Did Not Have Sufficient Internal Controls Or Maintain Proper Records  
For The Jail Commissary Fund (Continued)

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*County Judge/Executive's Response: The county judge/executive did not provide a response.*

*Jailer's Response: Two Individuals will gather and count the money and then a third individual to receive the money from the first two individuals and count the money again. Then the Jailer or a fourth individual will take the money to the Treasurer, Circuit Court Clerk, and to the bank. The Jailer or fourth individual will get a receipt from the Treasurer, Circuit Court Clerk, and the bank. There will also be a log/sign sheet attached to the daily check out sheets. Bookkeeper will not have access to the money at any time.*

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

**LOGAN COUNTY FISCAL COURT**

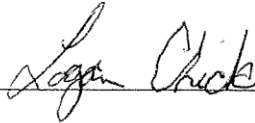
**For The Fiscal Year Ended  
June 30, 2016**



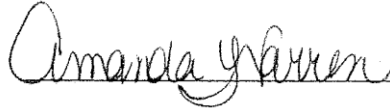
CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM  
LOGAN COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2016

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

  
\_\_\_\_\_

County Judge/Executive

  
\_\_\_\_\_

County Treasurer

