

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

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



**MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

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



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 Steve Tribble, Christian County Judge/Executive
Members of the Christian County Fiscal Court

The enclosed report prepared by Dean Dorton Allen Ford, PLLC, Certified Public Accountants, presents the financial statement of Christian County, Kentucky, for the year ended June 30, 2016.

We engaged Dean Dorton Allen Ford, PLLC, to perform the audit of this financial statement. We worked closely with the firm during our report review process; Dean Dorton Allen Ford, PLLC, evaluated the Christian 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
CHRISTIAN COUNTY FISCAL COURT

June 30, 2016

Dean Dorton Allen Ford, PLLC has completed the audit of the Christian County Fiscal Court for 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 Christian County Fiscal Court.

Financial Condition:

The Christian County Fiscal Court had total receipts of \$21,273,397 and disbursements of \$21,279,801 in fiscal year 2016. This resulted in a total ending fund balance of \$13,061,149, which is a decrease of \$192,924 from the prior year.

Finding:

2016-001 The Christian County Fiscal Court Did Not Have Adequate Internal Controls Over Credit Card Disbursements

Deposits:

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

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

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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

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

As described in Note 1 of the financial statement, the financial statement is prepared by Christian 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 Christian 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 Christian 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 Christian 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.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 14, 2017, on our consideration of Christian 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 Christian 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 Christian County Fiscal Court Did Not Have Adequate Internal Controls Over Credit Card Disbursements

Dean Dotson Allen Ford, PLLC

Louisville, Kentucky
August 14, 2017

CHRISTIAN COUNTY OFFICIALS

For The Year Ended June 30, 2016

Fiscal Court Members:

Steve Tribble	County Judge/Executive
Kenneth Bates	Magistrate
Mark Wells	Magistrate
Mark Cansler	Magistrate
Darrell Gustafson	Magistrate
Rich Liebe	Magistrate
Jack Lackey	Magistrate
David Collins	Magistrate
Terry Bowman	Magistrate

Other Elected Officials:

J. Michael Foster	County Attorney
Bradley Boyd	Jailer
Mike Kem	County Clerk
Gary Haddock	Circuit Court Clerk
Livy Leavell, Jr.	Sheriff
Angela Strader	Property Valuation Administrator
Dorris Lamb	Coroner

Appointed Personnel:

Walter Cummings	County Treasurer
Ruth Mason	Assistant County Treasurer
Kelly Finley	County Finance Officer

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

For The Year Ended June 30, 2016

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

For The Year Ended June 30, 2016

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	\$ 6,710,468	\$	\$
In Lieu Tax Payments	215,787		
Excess Fees	537,334		
Licenses and Permits	122,086		
Intergovernmental	1,223,546	2,325,022	5,684,596
Charges for Services	174,267		794,066
Miscellaneous	173,281	88,539	266,998
Interest	54,885	3,414	1,389
Total Receipts	<u>9,211,654</u>	<u>2,416,975</u>	<u>6,747,049</u>
DISBURSEMENTS			
General Government	2,245,861		
Protection to Persons and Property	373,005		5,493,084
General Health and Sanitation	453,271		
Social Services	133,614		
Recreation and Culture	451,425		
Roads		2,786,587	
Airports	31,436		
Debt Service			13,879
Capital Projects	858,665	127,250	
Administration	2,780,973	333,749	1,367,546
Total Disbursements	<u>7,328,250</u>	<u>3,247,586</u>	<u>6,874,509</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>1,883,404</u>	<u>(830,611)</u>	<u>(127,460)</u>
Other Adjustments to Cash (Uses)			
Transfers From Other Funds		800,000	730,500
Transfers To Other Funds	(2,172,455)	(243,698)	(572,285)
Debt Proceeds			283,480
Total Other Adjustments to Cash (Uses)	<u>(2,172,455)</u>	<u>556,302</u>	<u>441,695</u>
Net Change in Fund Balance	(289,051)	(274,309)	314,235
Fund Balance - Beginning	10,495,407	333,700	322,132
Fund Balance - Ending	<u>\$ 10,206,356</u>	<u>\$ 59,391</u>	<u>\$ 636,367</u>
Composition of Fund Balance			
Bank Balance	\$ 6,757,896	\$ 79,876	\$ 734,221
Less: Outstanding Checks	(1,249,547)	(20,485)	(97,854)
Certificates of Deposit	4,698,007		
Fund Balance - Ending	<u>\$ 10,206,356</u>	<u>\$ 59,391</u>	<u>\$ 636,367</u>

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

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

<u>Budgeted Funds</u>			<u>Unbudgeted Funds</u>			
<u>Local Government Economic Assistance Fund</u>	<u>Revolving Loan Fund</u>	<u>E911 Fund</u>	<u>Jail Commissary Fund</u>	<u>Industrial Development Authority Revolving Loan Fund</u>	<u>Public Courthouse Corporation Fund</u>	<u>General Obligation Bond Fund</u>
\$	\$	\$ 144,011	\$	\$	\$	\$
190,234		223,131			1,374,779	
			921,984	36,438		
463	86	3,317		3,272	1	3
<u>190,697</u>	<u>86</u>	<u>370,459</u>	<u>921,984</u>	<u>39,710</u>	<u>1,374,780</u>	<u>3</u>
				20,309		
		353,533				
209,791			883,814			
					1,438,300	922,419
				40	1,250	
<u>209,791</u>		<u>353,533</u>	<u>883,814</u>	<u>20,349</u>	<u>1,439,550</u>	<u>922,419</u>
(19,094)	86	16,926	38,170	19,361	(64,770)	(922,416)
					65,522	922,416
					65,522	922,416
(19,094)	86	16,926	38,170	19,361	752	
23,896	22,648	862,687	319,884	870,209	3,507	3
<u>\$ 4,802</u>	<u>\$ 22,734</u>	<u>\$ 879,613</u>	<u>\$ 358,054</u>	<u>\$ 889,570</u>	<u>\$ 4,259</u>	<u>\$ 3</u>
\$ 5,239	\$ 22,734	\$ 930,563	\$ 375,447	\$ 889,570	\$ 4,259	\$ 3
(437)		(50,950)	(17,393)			
<u>\$ 4,802</u>	<u>\$ 22,734</u>	<u>\$ 879,613</u>	<u>\$ 358,054</u>	<u>\$ 889,570</u>	<u>\$ 4,259</u>	<u>\$ 3</u>

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

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

<u>Total Funds</u>	<u>Internal Service Fund</u>	<u>Health Insurance Fund</u>
\$ 6,854,479	\$	
215,787		
537,334		
122,086		
11,021,308		
968,333		
1,487,240	1,874,170	
66,830	97	
<u>21,273,397</u>	<u>1,874,267</u>	
2,266,170		
6,219,622		
453,271		
133,614		
1,335,239		
2,996,378		
31,436		
2,374,598		
985,915		
4,483,558	2,338,474	
<u>21,279,801</u>	<u>2,338,474</u>	
<u>(6,404)</u>	<u>(464,207)</u>	
2,518,438	470,000	
(2,988,438)		
283,480		
<u>(186,520)</u>	<u>470,000</u>	
(192,924)	5,793	
13,254,073	118,902	
<u>\$ 13,061,149</u>	<u>\$ 124,695</u>	
\$ 9,799,808	\$ 140,637	
(1,436,666)	(15,942)	
4,698,007		
<u>\$ 13,061,149</u>	<u>\$ 124,695</u>	

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

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TO THE FINANCIAL STATEMENT**

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CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2016

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

B. Basis of Accounting

The financial statement is presented on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. This basis of accounting involves the reporting of fund balances and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) to meet the financial reporting requirements of the Department for Local Government and the laws of the Commonwealth of Kentucky.

This regulatory basis of accounting differs from GAAP primarily because the financial statement format does not include the GAAP presentations of government-wide and fund financial statements, cash receipts are recognized when received in cash rather than when earned and susceptible to accrual, and cash disbursements are recognized when paid rather than when incurred or subject to accrual.

Generally, except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the fiscal court. 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. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the general fund.

Revolving Loan Fund - The primary purpose of this fund is to account for Community Development Block Grant Revolving Loan proceeds. Loans are made from this fund to local businesses that meet the Department for Local Government criteria for small business loans.

E911 Fund - The primary purpose of this fund is to account for 911 tax receipts and emergency services disbursements.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

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.

Industrial Development Authority Revolving Loan Fund - The primary purpose of this fund is to account for the activities of the Christian County Industrial Authority. Activity of this fund includes the repayment of small business loans made by the revolving loan fund. On November 12, 2003, the Department for Local Government approved an ordinance allowing this activity.

Public Courthouse Corporation Fund - The primary purpose of this fund is to account for the activities of the Public Courthouse Corporation. The Public Courthouse Corporation issues debt to build major facilities or additions. The Christian County Public Courthouse Corporation entered into a lease/sublease agreement with the Commonwealth of Kentucky, Administrative Office of the Courts to use and sublease all or a portion of certain facilities owned or to be constructed by or on behalf of the fiscal court. This lease/sublease agreement expires every two years. The Department for Local Government does not require the fiscal court to report or budget these funds.

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Internal Service Fund

Health Insurance Fund - The primary purpose of this fund is to account for the fiscal court's partially self-funded employee health insurance program.

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 industrial development authority revolving loan fund, the public courthouse corporation fund, or the general obligation bond fund to be budgeted. Bond indenture and other relevant contractual provisions require specific payments to and from these funds annually.

E. Christian County Fiscal Court Elected Officials

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments

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

G. Long-term Obligations

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

Note 2. Deposits

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

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the fiscal court's deposits may not be returned. The fiscal court 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.

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

Note 3. Transfers

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

	General Fund	Road Fund	Jail Fund	Total Transfers In
Road Fund	\$ 800,000	\$	\$	\$ 800,000
Jail Fund	730,500			730,500
Health Insurance Fund	470,000			470,000
Public Courthouse Corporation Fund			65,522	65,522
General Obligation Bond Fund	171,955	243,698	506,763	922,416
Total Transfers Out	<u>\$ 2,172,455</u>	<u>\$ 243,698</u>	<u>\$ 572,285</u>	<u>\$ 2,988,438</u>

Reason for transfers:

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

Note 4. Agency Trust Funds

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, 2016, was \$208,835.

Animal Shelter Fund - This fund accounts for funds received by the local animal shelter. The balance in the animal shelter fund as of June 30, 2016, was \$33,176.

Note 5. Receivables

- A. The fiscal court loaned \$100,000 to Maintainer Corporation of Kentucky on April 24, 2006, for the purpose of financing certain real estate. Terms of the agreement stipulate a 10-year repayment schedule of four percent interest. Records indicate Maintainer Corporation of Kentucky is in substantial compliance with this requirement. As of June 30, 2016, the principal balance due had been paid in full.
- B. The fiscal court loaned \$150,000 to Hopkinsville Industrial Foundation, Inc. on April 1, 2011, for the purpose of making improvements to real estate. Terms of the agreement stipulate an eight year repayment schedule at 1.5 percent interest. Records indicate Hopkinsville Industrial Foundation, Inc. is in substantial compliance with this requirement. As of June 30, 2016, the principal balance due was \$53,601.
- C. The fiscal court loaned \$120,309 to Hopkinsville Carnegie Library Inc., on May 12, 2015, for the purpose of financing certain real estate. The terms of the agreement stipulate the principal amount of the loan plus any interest accrued at a rate of two percent shall be payable, in full, on or before June 15, 2020. As of June 30, 2016, the principal balance due was \$120,309.

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

Note 6. Long-term Debt

A. Revenue Refunding Bonds, Series 2007

The Christian County Public Courthouse Corporation (Corporation) was established by the fiscal court to act as the agency and instrumentality of the fiscal court in acquiring, developing, and financing public improvements and public projects. The Corporation issued its Christian County Public Courthouse Corporation Lease Revenue Bonds (District Court Facility Project), Series 2000, dated November 1, 2000, (the Series 2000 Bonds) for the purpose of acquiring, constructing and furnishing a court facility and the completion of the renovation and improvement of the Christian County Corrections Center located in Hopkinsville, Kentucky.

The Corporation adopted, at the direction of the fiscal court, a resolution authorizing the Series 2007 Bonds for the purpose of paying the costs associated with the refunding and refinancing of the Series 2000 Bonds.

The bonds are secured by a foreclosable first mortgage lien on the project. The bonds are also secured by the assignment of the Corporation of all its rights, title, and interest to a lease agreement with the fiscal court.

The bonds in the amount of \$16,545,000 dated April 5, 2007, bear interest from that date as described herein, payable semi-annually on February 1 and August 1 of each year commencing August 1, 2007, at rates ranging from 3.50 percent to 4.00 percent. The bonds mature on August 1 of each year, in the years and in the principal amounts shown below. The balance on these bonds as of June 30, 2016, was \$8,800,000. Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2017	\$ 1,110,000	\$ 329,800
2018	1,160,000	284,400
2019	1,205,000	237,100
2020	1,255,000	187,900
2021	1,300,000	136,800
2022-2023	<u>2,770,000</u>	<u>111,800</u>
Totals	<u>\$ 8,800,000</u>	<u>\$ 1,287,800</u>

B. Christian County, KY General Obligation Recovery Zone Economic Development and Refunding Bonds, Series 2010 A&B

On June 1, 2010, the fiscal court issued two bonds, Series 2010A Recovery Zone Economic Development Bonds in the amount of \$2,045,000 and Series 2010B General Obligation Refunding Bonds in the amount of \$1,960,000. Series 2010A was issued for the purpose of road work to be performed on county roads and Series 2010B was issued for the purpose of refunding General Obligation Bond, Series 1998. The Series 2010A bonds bear interest of 3.60 percent and the Series 2010B bonds bear interest of two percent. Payments are due on December 1 and June 1 of each year. The maturity date of the bonds is June 30, 2020. The balance of these bonds as of June 30, 2016, was \$1,705,000. Annual debt service requirements to maturity for the bonds are as follows:

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

Note 6. Long-term Debt (Continued)

B. Christian County, KY General Obligation Recovery Zone Economic Development and Refunding Bonds, Series 2010 A&B (Continued)

Fiscal Year Ended June 30	Principal	Scheduled Interest
2017	\$ 410,000	\$ 52,633
2018	420,000	39,754
2019	430,000	26,045
2020	445,000	11,538
Totals	<u>\$ 1,705,000</u>	<u>\$ 129,970</u>

C. General Obligation Refunding Bonds, Series 2011

On November 30, 2011, the fiscal court issued General Obligation Refunding Bonds, Series 2011 in the amount of \$3,785,000. The proceeds were used to refinance financing obligations with the Kentucky Association of Counties Leasing Trust Program for the Energy Conservation Project in the amount of \$2,185,000 and the Jail Renovation in the amount of \$1,565,000. The bonds bear interest of 2.00 percent to 3.125 percent. Payments are due on February 1 and August 1 of each year. The maturity date of the bonds is June 30, 2027. The balance of these bonds as of June 30, 2016, was \$1,900,000. Annual debt service requirements to maturity for the bonds are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2017	\$ 405,000	\$ 49,956
2018	135,000	41,856
2019	135,000	39,156
2020	140,000	36,119
2021	140,000	32,619
2022-2026	775,000	98,844
2027	170,000	5,312
Totals	<u>\$ 1,900,000</u>	<u>\$ 303,862</u>

D. Campbell Office Building

On August 27, 2010, the fiscal court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program in the sum of \$103,500 at a 4.55 percent effective interest rate. The financing obligation was used to purchase the Campbell Office Building for the Christian County Detention Center. The maturity date of the obligation is August 20, 2020. The balance of the financing obligation at June 30, 2016, was \$46,662. Annual debt service requirements to maturity are as follows:

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

Note 6. Long-term Debt (Continued)

D. Campbell Office Building (Continued)

Fiscal Year Ended June 30	Principal	Scheduled Interest
2017	\$ 10,709	\$ 1,923
2018	11,012	1,423
2019	11,324	910
2020	11,645	383
2021	1,972	11
Totals	<u>\$ 46,662</u>	<u>\$ 4,650</u>

E. Sheriff's Vehicles - 2012

On March 28, 2012, the fiscal court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program in the sum of \$112,000 at a 4.55 percent effective interest rate. The financing obligation was used to purchase vehicles for the Christian County Sheriff's Department. The obligation matured and the outstanding balance was paid in full on January 20, 2016.

F. Sheriff's Vehicles - 2013

On March 12, 2013, the fiscal court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program in the sum of \$204,624 at a 4.55 percent effective interest rate. The financing obligation was used to purchase vehicles for the Christian County Sheriff's Department. The maturity date of the obligation is January 20, 2017. The balance of the financing obligation at June 30, 2016, was \$52,725. Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2017	<u>\$ 52,725</u>	<u>\$ 2,397</u>
Total	<u>\$ 52,725</u>	<u>\$ 2,397</u>

G. Sheriff's Vehicles - 2015

On October 1, 2015, the fiscal court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program in the sum of \$130,625 at a 4.55 percent effective interest rate. The financing obligation was used to purchase vehicles for the Christian County Sheriff's Department. The maturity date of the obligation is January 20, 2019. The balance of the financing obligation at June 30, 2016, was \$97,568. Annual debt service requirements to maturity are as follows:

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

Note 6. Long-term Debt (Continued)

G. Sheriff's Vehicles – 2015 (Continued)

Fiscal Year Ended June 30	Principal	Scheduled Interest
2017	\$ 31,707	\$ 3,269
2018	32,516	2,206
2019	33,345	1,117
Totals	<u>\$ 97,568</u>	<u>\$ 6,592</u>

H. Sheriff's Vehicles - 2016

On April 6, 2016, the fiscal court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program in the sum of \$152,855 at a 3.87 percent effective interest rate. The financing obligation was used to purchase vehicles for the Christian County Sheriff's Department. The maturity date of the obligation is January 20, 2020. The balance of the financing obligation at June 30, 2016, was \$152,851. Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2017	\$ 37,357	\$ 3,852
2018	37,637	3,552
2019	38,493	2,394
2020	39,364	1,211
Totals	<u>\$ 152,851</u>	<u>\$ 11,009</u>

I. Changes In Long-term Debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	\$ 4,405,000	\$	\$ 800,000	\$ 3,605,000	\$ 815,000
Revenue Bonds	9,865,000		1,065,000	8,800,000	1,110,000
Financing Obligations	189,374	283,480	123,044	349,810	132,498
Total Long-term Debt	<u>\$ 14,459,374</u>	<u>\$ 283,480</u>	<u>\$ 1,988,044</u>	<u>\$ 12,754,810</u>	<u>\$ 2,057,498</u>

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

Note 7. Employee Retirement System

A. Plan Description

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

Nonhazardous covered employees are required to contribute five percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008, are required to contribute six percent of their salary to the plan. The fiscal court'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 fiscal court's contribution for fiscal year 2014 was \$598,026, fiscal year 2015 was \$574,036, and fiscal year 2016 was \$570,352.

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 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

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

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

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

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

Note 7. Employee Retirement System (Continued)

A. Plan Description (Continued)

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.

Kentucky Retirement Systems (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 valuations 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 <http://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 8. Deferred Compensation

On December 19, 2000, the 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 9. Insurance

For the fiscal year ended June 30, 2016, the 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.

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

Note 10. Health Insurance Fund

The fiscal court maintains a self-insurance fund to account for the health insurance provided for other funds on a cost reimbursement basis. The purpose of the self-insurance fund is to have funds available to cover some losses as full insurance for all types of risk can be prohibitively expensive and to accumulate reserves for catastrophic losses. Under GAAP this fund would have been accounted for as an Internal Service Fund; however, under the regulatory basis this is not required. Under the regulatory basis of accounting, charges to funds by the health insurance fund will be disbursements of the respective fund being charged and then considered receipts of the health insurance fund. Charges to funds should be reasonable and equitable so that the receipts and disbursements of the health insurance fund are approximately equal and assume that the fund will have profitable and non-profitable years and will break even over time.

Note 11. Conduit Debt

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

Note 12. Related Parties

For the fiscal year ended June 30, 2016, the fiscal court engaged in the following related party transactions: A company owned by the brother-in-law of a magistrate received \$127,250 for construction services provided to the fiscal court. A company that employs a magistrate's son received \$460 for supplies and materials purchased by the fiscal court. A company that employs a magistrate received \$17,554 for construction services provided to the fiscal court. A company that employs a magistrate's wife received \$4,541 for services provided to the fiscal court.

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CHRISTIAN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2016

CHRISTIAN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2016

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 6,622,839	\$ 6,622,839	\$ 6,710,468	\$ 87,629
In Lieu Tax Payments	274,414	274,414	215,787	(58,627)
Excess Fees	486,200	486,200	537,334	51,134
Licenses and Permits	125,286	125,286	122,086	(3,200)
Intergovernmental	5,343,036	5,343,036	1,223,546	(4,119,490)
Charges for Services	218,003	218,003	174,267	(43,736)
Miscellaneous	64,571	64,571	173,281	108,710
Interest	41,580	41,580	54,885	13,305
Total Receipts	<u>13,175,929</u>	<u>13,175,929</u>	<u>9,211,654</u>	<u>(3,964,275)</u>
DISBURSEMENTS				
General Government	3,432,180	3,482,321	2,245,861	1,236,460
Protection to Persons and Property	679,633	684,872	373,005	311,867
General Health and Sanitation	515,624	515,624	453,271	62,353
Social Services	237,646	240,509	133,614	106,895
Recreation and Culture	430,894	453,745	451,425	2,320
Airports	30,000	31,436	31,436	
Debt Service	171,957	171,957		171,957
Capital Projects	4,263,495	4,263,495	858,665	3,404,830
Administration	3,121,904	3,039,374	2,780,973	258,401
Total Disbursements	<u>12,883,333</u>	<u>12,883,333</u>	<u>7,328,250</u>	<u>5,555,083</u>
Excess of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>292,596</u>	<u>292,596</u>	<u>1,883,404</u>	<u>1,590,808</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	<u>(2,441,701)</u>	<u>(2,441,701)</u>	<u>(2,172,455)</u>	<u>269,246</u>
Total Other Adjustments to Cash (Uses)	<u>(2,441,701)</u>	<u>(2,441,701)</u>	<u>(2,172,455)</u>	<u>269,246</u>
Net Change in Fund Balance	(2,149,105)	(2,149,105)	(289,051)	1,860,054
Fund Balance - Beginning	<u>2,149,105</u>	<u>2,149,105</u>	<u>10,495,407</u>	<u>8,346,302</u>
Fund Balance - Ending	<u>\$</u>	<u>\$</u>	<u>\$ 10,206,356</u>	<u>\$ 10,206,356</u>

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

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 2,543,515	\$ 2,543,515	\$ 2,325,022	\$ (218,493)
Miscellaneous	36,775	36,775	88,539	51,764
Interest	525	525	3,414	2,889
Total Receipts	<u>2,580,815</u>	<u>2,580,815</u>	<u>2,416,975</u>	<u>(163,840)</u>
DISBURSEMENTS				
Roads	3,069,707	3,044,637	2,786,587	258,050
Debt Service	243,700	243,700		243,700
Capital Projects	88,000	127,250	127,250	
Administration	387,795	373,615	333,749	39,866
Total Disbursements	<u>3,789,202</u>	<u>3,789,202</u>	<u>3,247,586</u>	<u>541,616</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,208,387)</u>	<u>(1,208,387)</u>	<u>(830,611)</u>	<u>377,776</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,198,387	1,198,387	800,000	(398,387)
Transfers To Other Funds			(243,698)	(243,698)
Total Other Adjustments to Cash (Uses)	<u>1,198,387</u>	<u>1,198,387</u>	<u>556,302</u>	<u>(642,085)</u>
Net Change in Fund Balance	(10,000)	(10,000)	(274,309)	(264,309)
Fund Balance - Beginning	<u>10,000</u>	<u>10,000</u>	<u>333,700</u>	<u>323,700</u>
Fund Balance - Ending	<u>\$</u>	<u>\$</u>	<u>\$ 59,391</u>	<u>\$ 59,391</u>

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

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 5,188,300	\$ 5,188,300	\$ 5,684,596	\$ 496,296
Charges for Services	781,000	781,000	794,066	13,066
Miscellaneous	274,100	274,100	266,998	(7,102)
Interest	600	600	1,389	789
Total Receipts	<u>6,244,000</u>	<u>6,244,000</u>	<u>6,747,049</u>	<u>503,049</u>
DISBURSEMENTS				
Protection to Persons and Property	5,486,242	5,543,570	5,493,084	50,486
Debt Service	585,109	586,164	13,879	572,285
Administration	1,450,963	1,392,580	1,367,546	25,034
Total Disbursements	<u>7,522,314</u>	<u>7,522,314</u>	<u>6,874,509</u>	<u>647,805</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,278,314)</u>	<u>(1,278,314)</u>	<u>(127,460)</u>	<u>1,150,854</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,243,314	1,243,314	730,500	(512,814)
Transfers To Other Funds			(572,285)	(572,285)
Debt proceeds			283,480	283,480
Total Other Adjustments to Cash (Uses)	<u>1,243,314</u>	<u>1,243,314</u>	<u>441,695</u>	<u>(801,619)</u>
Net Change in Fund Balance	(35,000)	(35,000)	314,235	349,235
Fund Balance - Beginning	<u>35,000</u>	<u>35,000</u>	<u>322,132</u>	<u>287,132</u>
Fund Balance - Ending	<u>\$</u>	<u>\$</u>	<u>\$ 636,367</u>	<u>\$ 636,367</u>

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

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 190,500	\$ 190,500	\$ 190,234	\$ (266)
Interest			463	463
Total Receipts	<u>190,500</u>	<u>190,500</u>	<u>190,697</u>	<u>197</u>
DISBURSEMENTS				
Roads	<u>215,500</u>	<u>215,500</u>	<u>209,791</u>	<u>5,709</u>
Total Disbursements	<u>215,500</u>	<u>215,500</u>	<u>209,791</u>	<u>5,709</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(25,000)</u>	<u>(25,000)</u>	<u>(19,094)</u>	<u>5,906</u>
Net Change in Fund Balance	(25,000)	(25,000)	(19,094)	5,906
Fund Balance - Beginning	<u>25,000</u>	<u>25,000</u>	<u>23,896</u>	<u>(1,104)</u>
Fund Balance - Ending	<u><u>\$</u></u>	<u><u>\$</u></u>	<u><u>\$ 4,802</u></u>	<u><u>\$ 4,802</u></u>

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

	REVOLVING LOAN FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$ 100	\$ 100	\$	\$ (100)
Interest	50	50	86	36
Total Receipts	<u>150</u>	<u>150</u>	<u>86</u>	<u>(64)</u>
DISBURSEMENTS				
General Government	<u>22,750</u>	<u>22,750</u>		<u>22,750</u>
Total Disbursements	<u>22,750</u>	<u>22,750</u>		<u>22,750</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(22,600)</u>	<u>(22,600)</u>	<u>86</u>	<u>22,686</u>
Net Change in Fund Balance	(22,600)	(22,600)	86	22,686
Fund Balance - Beginning	<u>22,600</u>	<u>22,600</u>	<u>22,648</u>	<u>48</u>
Fund Balance - Ending	<u>\$</u>	<u>\$</u>	<u>\$ 22,734</u>	<u>\$ 22,734</u>

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

	E911 FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 151,500	\$ 151,500	\$ 144,011	\$ (7,489)
Intergovernmental	222,844	222,844	223,131	287
Interest	2,150	2,150	3,317	1,167
Total Receipts	<u>376,494</u>	<u>376,494</u>	<u>370,459</u>	<u>(6,035)</u>
DISBURSEMENTS				
Protection to Persons and Property	1,094,422	1,094,422	353,533	740,889
Administration	10,000	10,000		10,000
Total Disbursements	<u>1,104,422</u>	<u>1,104,422</u>	<u>353,533</u>	<u>750,889</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(727,928)</u>	<u>(727,928)</u>	<u>16,926</u>	<u>744,854</u>
Net Change in Fund Balance	(727,928)	(727,928)	16,926	744,854
Fund Balance - Beginning	<u>727,928</u>	<u>727,928</u>	<u>862,687</u>	<u>134,759</u>
Fund Balance - Ending	<u>\$</u>	<u>\$</u>	<u>\$ 879,613</u>	<u>\$ 879,613</u>

CHRISTIAN COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2016

Note 1. Budgetary Information

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

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

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

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CHRISTIAN COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2016

CHRISTIAN COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2016

The fiscal court reports the following Schedule of Capital Assets:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Land	\$ 2,263,092	\$ 338,957	\$	\$ 2,602,049
Construction In Progress	443,379	58,000	234,632	266,747
Land Improvements	173,926			173,926
Buildings	36,347,802	385,716		36,733,518
Vehicles and Equipment	4,932,279	741,921		5,674,200
Furniture and Office Equipment	1,298,551			1,298,551
Infrastructure	21,315,080	1,679,276		22,994,356
 Total Capital Assets	 <u>\$ 66,774,109</u>	 <u>\$ 3,203,870</u>	 <u>\$ 234,632</u>	 <u>\$69,743,347</u>

CHRISTIAN COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - SCHEDULE OF CAPITAL ASSETS

June 30, 2016

Note 1. Capital Assets

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

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 25,000	10-60
Buildings	\$ 50,000	10-75
Vehicles and Equipment	\$ 5,000	3-25
Furniture and Office Equipment	\$ 5,000	8-20
Infrastructure	\$ 25,000	10-50

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



The Honorable Steve Tribble, Christian County Judge/Executive
Members of the Christian 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 Christian County Fiscal Court for the fiscal year ended June 30, 2016, and the related notes to the financial statement which collectively comprise the Christian County Fiscal Court's financial statement and have issued our report thereon dated August 14, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Christian 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*.

Views of Responsible Official and Planned Corrective Action

Christian 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.

Dean Dotson Allen Ford, PLLC

Louisville, Kentucky
August 14, 2017

**CHRISTIAN COUNTY
SCHEDULE OF FINDINGS AND REPOSES**

For The Year Ended June 30, 2016

CHRISTIAN COUNTY
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended June 30, 2016

INTERNAL CONTROL - SIGNIFICANT DEFICIENCY:

2016-001 The Christian County Fiscal Court Did Not Have Adequate Internal Controls Over Credit Card Disbursements

The following deficiencies were documented regarding credit card transactions:

- Two of the eight statements tested were not paid in full or on time, resulting in finance charges and late fees of \$132.02.
- One of the 88 transactions tested did not have adequate supporting documentation in the form of an itemized invoice.
- Four of the 22 transactions tested that related to lodging disbursements included federal and state tax payments when the fiscal court should be consistently receiving a government rate.
- Three of the 34 transactions that related to meal disbursements exceeded the amount allowable for meals in accordance with fiscal court policy.

These deficiencies in credit card disbursements occurred because of the fiscal court's lack of internal controls and oversight. By failing to maintain adequate documentation, the fiscal court increased the risk of paying invoices for goods or services that were not provided to the fiscal court or for items that are not allowable. Also, by not paying credit cards timely and in full each month the fiscal court could be issued late fees and finance charges.

Good internal controls dictate that adequate supporting documentation should be maintained for all credit card transactions. All vendor invoices and receipts should be maintained, including any additional supporting documentation and agreed to the corresponding purchase order and reports. We recommend the fiscal court further develop internal control procedures to ensure that credit card transactions are properly supported and are allowable. We also recommend the fiscal court consider including an explanation of why the travel occurred and the individuals participating in the meals, if applicable, to provide further documentation to ensure that all meals and travel are fiscal court related.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: Further improvements have been made with regard to this deficiency. We fully expect this recommendation to be resolved in the fiscal year 2016-2017 audit.

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

CHRISTIAN COUNTY FISCAL COURT

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


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

For The Fiscal Year Ended June 30, 2016

The Christian 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

