

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

**For The Year Ended  
June 30, 2017**



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

To the People of Kentucky

The Honorable Matthew G. Bevin, Governor

William M. Landrum III, Secretary

Finance and Administration Cabinet

The Honorable Anthony T. Ruckel, Lewis County Judge/Executive

Members of the Lewis County Fiscal Court

Independent Auditor's Report

**Report on the Financial Statement**

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Lewis County Fiscal Court, for the year ended June 30, 2017, and the related notes to the financial statement which collectively comprise the Lewis 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 Lewis 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 Lewis County Fiscal Court as of June 30, 2017, 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 Lewis County Fiscal Court as of June 30, 2017, 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 Lewis County Fiscal Court. The Budgetary Comparison Schedules, Capital Asset Schedule, and the Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) are presented for purposes of additional analysis and are not a required part of the financial statement; however, they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

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

To the People of Kentucky

The Honorable Matthew G. Bevin, Governor

William M. Landrum III, Secretary

Finance and Administration Cabinet

The Honorable Anthony T. Ruckel, Lewis County Judge/Executive

Members of the Lewis County Fiscal Court

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2018, on our consideration of the Lewis 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 Lewis 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 Questioned Costs included herein, which discusses the following report findings:

- 2017-001 The Jailer Did Not Have Adequate Segregation Of Duties Over Jail Commissary Accounting Functions
- 2017-002 Inmate Monies Are Not Deposited Intact On A Daily Basis
- 2017-003 The County Did Not Properly Disclose Debt Balances On The Quarterly Financial Report

Respectfully submitted,



Mike Harmon  
Auditor of Public Accounts

October 23, 2018

**LEWIS COUNTY OFFICIALS****For The Year Ended June 30, 2017****Fiscal Court Members:**

Anthony T. Ruckel	County Judge/Executive
David Iery	Magistrate
Terri Thomas	Magistrate
Woody Underwood	Magistrate
Steve Applegate	Magistrate

**Other Elected Officials:**

Thomas Bertram	County Attorney
Jeff Lykins	Jailer
Glenda Himes	County Clerk
Kathy Hardy	Circuit Court Clerk
Johnny Bivens	Sheriff
Anthony Silvey	Property Valuation Administrator
Tony Gaydos	Coroner

**Appointed Personnel:**

Kathy Dillow	County Treasurer
Penny Lee	Finance Officer

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

**For The Year Ended June 30, 2017**

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

**For The Year Ended June 30, 2017**

	<b>Budgeted Funds</b>			
	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Local Government Economic Assistance Fund</b>
<b>RECEIPTS</b>				
Taxes	\$ 1,413,713	\$	\$	\$
Excess Fees	43,592			
Licenses and Permits	21,181			
Intergovernmental	313,029	1,808,736	638,594	19,975
Charges for Services	482		14,194	
Miscellaneous	157,961	404,382	27,537	
Interest	669	732	237	13
Total Receipts	<u>1,950,627</u>	<u>2,213,850</u>	<u>680,562</u>	<u>19,988</u>
<b>DISBURSEMENTS</b>				
General Government	729,649			16,639
Protection to Persons and Property	21,304		867,159	
General Health and Sanitation	221,553			
Social Services	2,598			
Recreation and Culture	3,819			
Roads		1,729,365		
Debt Service		486,560	104,830	
Administration	371,634	196,777	163,934	
Total Disbursements	<u>1,350,557</u>	<u>2,412,702</u>	<u>1,135,923</u>	<u>16,639</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>600,070</u>	<u>(198,852)</u>	<u>(455,361)</u>	<u>3,349</u>
<b>Other Adjustments to Cash (Uses)</b>				
Financing Obligations		393,722		
Transfers From Other Funds	298,968		420,000	
Transfers To Other Funds	(476,534)	(228,977)		
Total Other Adjustments to Cash (Uses)	<u>(177,566)</u>	<u>164,745</u>	<u>420,000</u>	
Net Change in Fund Balance	422,504	(34,107)	(35,361)	3,349
Fund Balance - Beginning (Restated)	455,418	363,938	57,530	10,227
Fund Balance - Ending	<u>\$ 877,922</u>	<u>\$ 329,831</u>	<u>\$ 22,169</u>	<u>\$ 13,576</u>
<b>Composition of Fund Balance</b>				
Bank Balance	\$ 894,263	\$ 332,338	\$ 22,640	\$ 13,576
Less: Outstanding Checks	(16,341)	(2,507)	(471)	
Fund Balance - Ending	<u>\$ 877,922</u>	<u>\$ 329,831</u>	<u>\$ 22,169</u>	<u>\$ 13,576</u>

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

**LEWIS COUNTY**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES**  
**IN FUND BALANCES - REGULATORY BASIS**  
**For The Year Ended June 30, 2017**  
**(Continued)**

<b>Budgeted Funds</b>				<b>Unbudgeted Funds</b>		<b>Total Funds</b>
<b>Community Development Block Grants Fund</b>	<b>Animal Shelter Fund</b>	<b>E-911 Fund</b>	<b>Grant Fund</b>	<b>Public Facilities Construction Corporation Fund</b>	<b>Jail Commissary Fund</b>	
\$	\$	\$ 194,454	\$	\$	\$	\$ 1,608,167
						43,592
						21,181
799,232	1,375	139,805	69,971	383,338		4,174,055
	5,460					20,136
	1,245	296	13,567		59,224	664,212
	3	92		2	27	1,775
<u>799,232</u>	<u>8,083</u>	<u>334,647</u>	<u>83,538</u>	<u>383,340</u>	<u>59,251</u>	<u>6,533,118</u>
						746,288
799,232		263,887	19,534			1,971,116
	46,104					267,657
						2,598
			10,455		63,188	77,462
						1,729,365
				382,088		973,478
		27,966		1,250		761,561
<u>799,232</u>	<u>46,104</u>	<u>291,853</u>	<u>29,989</u>	<u>383,338</u>	<u>63,188</u>	<u>6,529,525</u>
	(38,021)	42,794	53,549	2	(3,937)	3,593
						393,722
	37,000		19,534			775,502
			(69,991)			(775,502)
	<u>37,000</u>		<u>(50,457)</u>			<u>393,722</u>
	(1,021)	42,794	3,092	2	(3,937)	397,315
	2,923	72,482		635	16,648	979,801
<u>\$ 0</u>	<u>\$ 1,902</u>	<u>\$ 115,276</u>	<u>\$ 3,092</u>	<u>\$ 637</u>	<u>\$ 12,711</u>	<u>\$ 1,377,116</u>
\$	\$ 1,902	\$ 119,743	\$ 3,092	\$ 637	\$ 13,091	\$ 1,401,282
		(4,467)			(380)	(24,166)
<u>\$ 0</u>	<u>\$ 1,902</u>	<u>\$ 115,276</u>	<u>\$ 3,092</u>	<u>\$ 637</u>	<u>\$ 12,711</u>	<u>\$ 1,377,116</u>

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

**INDEX FOR NOTES  
TO THE FINANCIAL STATEMENT**

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**LEWIS COUNTY  
NOTES TO FINANCIAL STATEMENT**

**June 30, 2017**

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

**A. Reporting Entity**

The financial statement of Lewis County includes all budgeted and unbudgeted funds under the control of the Lewis 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 Lewis County Tourism 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 it is no longer a required component of the reporting entity. To obtain a copy of the audit report, contact the Lewis County Fiscal Court at (606) 796-2722.

**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.

**LEWIS COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2017**  
**(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 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.

Community Development Block Grants 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.

Animal Shelter Fund - The primary purpose of this fund is to provide support of the animal shelter for the county. The primary sources of receipts for this fund are from local support and animal adoptions.

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

Grant Fund - The primary purpose of this fund is to account for grants and related disbursements. The primary source of receipts for this fund is grants from the state government.

**Unbudgeted Funds**

The fiscal court reports the following unbudgeted funds:

Public Facilities Construction Corporation Fund - The primary purpose of this fund is to account for the debt service requirements of the revenue bond issued for the Lewis County Justice Center. The Department for Local Government does not require the fiscal court to budget this fund.

Jail Commissary Fund - The commissary 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.

**LEWIS COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2017**  
**(Continued)**

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

**D. Budgetary Information (Continued)**

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the state local finance officer. Disbursements may not exceed budgeted appropriations at the activity level.

The state local finance officer does not require the public properties corporation fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually.

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.

**E. Lewis County Elected Officials**

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

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

**F. Deposits and Investments**

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

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

**G. Long-term Obligations**

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

**LEWIS COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2017**  
**(Continued)**

**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 government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 66.480(1)(d) and KRS 41.240. As of June 30, 2017, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

**Note 3. Transfers**

The table below shows the interfund operating transfers for fiscal year 2017.

	General Fund	Road Fund	Grant Fund	Total Transfers In
General Fund	\$	\$ 228,977	\$ 69,991	\$ 298,968
Jail Fund	420,000			420,000
Animal Shelter Fund	37,000			37,000
Grant Fund	19,534			19,534
Total Transfers Out	<u>\$ 476,534</u>	<u>\$ 228,977</u>	<u>\$ 69,991</u>	<u>\$ 775,502</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**

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

The fiscal court has the following agency trust funds:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2017, was \$13,094.

**LEWIS COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2017**  
**(Continued)**

**Note 5. Long-term Debt**

**A. First Mortgage Refunding Revenue Bonds, Series 2014**

In August 2014, the Lewis County Public Properties Corporation issued \$3,680,000 in First Mortgage Revenue Refunding Bonds for the purpose of defeasing the 2005 First Mortgage Revenue Bond issue.

The Lewis County Public Properties Corporation, Administrative Office of the Courts (AOC), and the county entered into a lease agreement for the purpose of obtaining office rental space for AOC at the Justice Center.

Lewis County and the Public Properties Corporation acted as agents for AOC in order to plan, design, and construct the Justice Center. They are now acting as agents for AOC in managing and maintaining the Justice Center. The Public Properties Corporation and the county expect annual rentals for the Justice Center to be in the full amount of the annual principal and interest requirements of the bonds. Under the terms of the lease, AOC has agreed to pay directly to the paying agent bank, the use allowance payment as provided by in the lease. The lease agreement is renewable each year. The county and the Public Properties Corporation are reliant upon the use allowance payment in order to meet the debt service requirements for the bonds.

The use allowance payment commenced with the occupancy of the Justice Center by AOC. AOC, with the execution of the lease, has expressed its intention to continue to pay the full use allowance payment in each successive biennial budget period until March 2026, but the lease does not obligate AOC to do so. These bonds are scheduled to mature in March 2026. Principal payments are due each year on March 1 and interest is payable each year on September 1 and March 1. The total principal balance was \$2,990,000 as of June 30, 2017. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2018	\$ 310,000	\$ 76,088
2019	315,000	69,888
2020	320,000	63,588
2021	325,000	56,388
2022	335,000	49,075
2023-2026	<u>1,385,000</u>	<u>102,798</u>
Totals	<u>\$ 2,990,000</u>	<u>\$ 417,825</u>

**B. Financing Obligation - Detention Center Renovations**

On April 28, 2011, Lewis County entered into a long-term lease agreement with the Kentucky Area Development District to pay off the short-term lease agreement for renovations on the Lewis County Detention Center. The total principal balance was \$590,000 as of June 30, 2017. Future principal and interest requirements are:

**LEWIS COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2017**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**B. Financing Obligation - Detention Center Renovations (Continued)**

Fiscal Year Ending June 30	Principal	Scheduled Interest
2018	\$ 55,000	\$ 30,240
2019	55,000	27,765
2020	60,000	25,290
2021	60,000	22,590
2022	65,000	19,890
2023-2026	295,000	43,105
Totals	<u>\$ 590,000</u>	<u>\$ 168,880</u>

**C. Financing Obligation - Road Equipment**

In September 2011, Lewis County entered into a long-term financing agreement with Citizens Deposit Bank to pay off a Mack Truck and Wheel Loader lease agreement with the Kentucky Association of Counties, and to finance the acquisition of additional road equipment in the amount of \$374,757. This agreement was paid in full as of June 30, 2017.

**D. Financing Obligation - Dump Trucks**

On April 19, 2016, the Lewis County Fiscal Court entered into a \$390,218 agreement with the Kentucky Association of Counties Leasing Trust Program for the acquisition of three dump trucks for the purpose of reselling the dump trucks at auction. This agreement was paid in full as of June 30, 2017.

**E. Financing Obligation - Wheel Loader**

In September 2013, Lewis County entered into a long-term financing agreement with Citizens Deposit Bank to purchase a wheel loader in the amount of \$148,255. The total principal balance was \$62,247 as of June 30, 2017. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2018	\$ 30,627	\$ 2,052
2019	31,620	1,042
Totals	<u>\$ 62,247</u>	<u>\$ 3,094</u>

**LEWIS COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2017**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**F. Financing Obligation - Jail Roof**

On February 25, 2016, Lewis County entered into a \$100,000 financing obligation agreement with the Kentucky Association of Counties Leasing Trust for the purpose of financing the replacement of the roof on the jail. Terms of the agreement stipulate a repayment schedule in which the final payment is due on February 20, 2021, with variable monthly interest payments. The total principal balance was \$73,333 as of June 30, 2017. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2018	\$ 20,000	\$ 2,356
2019	20,000	1,622
2020	20,000	890
2021	13,333	184
Totals	<u>\$ 73,333</u>	<u>\$ 5,052</u>

**G. Financing Obligation - Mack Trucks**

On May 23, 2017, the Lewis County Fiscal Court entered into a \$393,722 lease agreement with the Kentucky Association of Counties Leasing Trust Program for the acquisition of three Mack trucks for the purpose of reselling them at auction. The total principal balance was \$393,722 as of June 30, 2017. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2018	\$	\$ 14,961
2019	393,722	6,234
Totals	<u>\$ 393,722</u>	<u>\$ 21,195</u>

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

Long-term Debt activity for the year ended June 30, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds	\$ 3,290,000	\$	\$ 300,000	\$ 2,990,000	\$ 310,000
Financing Obligations	1,262,074	393,722	536,494	1,119,302	105,627
Total Long-term Debt	<u>\$ 4,552,074</u>	<u>\$ 393,722</u>	<u>\$ 836,494</u>	<u>\$ 4,109,302</u>	<u>\$ 415,627</u>

**LEWIS COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2017**  
**(Continued)**

**Note 6. Employee Retirement System**

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

The county's contribution for FY 2015 was \$313,361, FY 2016 was \$300,207, and FY 2017 was \$332,034.

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

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

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

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

Health Insurance Coverage

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

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

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

**LEWIS COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2017**  
**(Continued)**

**Note 6. Employee Retirement System (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.

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

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

**Note 7. Deferred Compensation**

In July 2003, the Lewis County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees, and employees of local political subdivisions that have elected to participate.

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

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

**Note 8. Insurance**

For the fiscal year ended June 30, 2017, the Lewis County Fiscal Court was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**Note 9. Prior Period Adjustment**

The beginning balance of the general fund was increased by \$525 to account for a prior year voided check.

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

**For The Year Ended June 30, 2017**

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

**For The Year Ended June 30, 2017**

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 1,250,290	\$ 1,250,290	\$ 1,413,713	\$ 163,423
In Lieu Tax Payments	50	50		(50)
Excess Fees	22,948	22,948	43,592	20,644
Licenses and Permits	21,000	21,000	21,181	181
Intergovernmental	278,212	278,212	313,029	34,817
Charges for Services	950	950	482	(468)
Miscellaneous	139,700	139,700	157,961	18,261
Interest	225	225	669	444
Total Receipts	<u>1,713,375</u>	<u>1,713,375</u>	<u>1,950,627</u>	<u>237,252</u>
<b>DISBURSEMENTS</b>				
General Government	800,324	866,292	729,649	136,643
Protection to Persons and Property	46,482	48,216	21,304	26,912
General Health and Sanitation	174,752	235,404	221,553	13,851
Social Services	5,100	5,100	2,598	2,502
Recreation and Culture		3,819	3,819	
Administration	398,787	376,614	371,634	4,980
Total Disbursements	<u>1,425,445</u>	<u>1,535,445</u>	<u>1,350,557</u>	<u>184,888</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>287,930</u>	<u>177,930</u>	<u>600,070</u>	<u>422,140</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	201,070	201,070	298,968	97,898
Transfers To Other Funds	<u>(639,000)</u>	<u>(639,000)</u>	<u>(476,534)</u>	<u>162,466</u>
Total Other Adjustments to Cash (Uses)	<u>(437,930)</u>	<u>(437,930)</u>	<u>(177,566)</u>	<u>260,364</u>
Net Change in Fund Balance	(150,000)	(260,000)	422,504	682,504
Fund Balance - Beginning (Restated)	<u>150,000</u>	<u>150,000</u>	<u>455,418</u>	<u>305,418</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (110,000)</u>	<u>\$ 877,922</u>	<u>\$ 987,922</u>

**LEWIS COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2017**  
**(Continued)**

	<b>ROAD FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 2,352,971	\$ 2,352,971	\$ 1,808,736	\$ (544,235)
Miscellaneous	406,000	406,000	404,382	(1,618)
Interest	600	600	732	132
Total Receipts	<u>2,759,571</u>	<u>2,759,571</u>	<u>2,213,850</u>	<u>(545,721)</u>
<b>DISBURSEMENTS</b>				
Roads	2,001,556	1,759,961	1,729,365	30,596
Debt Service	518,000	518,000	486,560	31,440
Administration	288,945	250,551	196,777	53,774
Total Disbursements	<u>2,808,501</u>	<u>2,528,512</u>	<u>2,412,702</u>	<u>115,810</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(48,930)</u>	<u>231,059</u>	<u>(198,852)</u>	<u>(429,911)</u>
<b>Other Adjustments to Cash (Uses)</b>				
Financing Obligations			393,722	393,722
Transfers To Other Funds	(201,070)	(201,070)	(228,977)	(27,907)
Total Other Adjustments to Cash (Uses)	<u>(201,070)</u>	<u>(201,070)</u>	<u>164,745</u>	<u>365,815</u>
Net Change in Fund Balance	(250,000)	29,989	(34,107)	(64,096)
Fund Balance - Beginning	<u>250,000</u>	<u>250,000</u>	<u>363,938</u>	<u>113,938</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 279,989</u>	<u>\$ 329,831</u>	<u>\$ 49,842</u>

**LEWIS COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2017**  
**(Continued)**

	<b>JAIL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 419,802	\$ 419,802	\$ 638,594	\$ 218,792
Charges for Services	14,075	14,075	14,194	119
Miscellaneous	29,250	29,250	27,537	(1,713)
Administration	25	25	237	212
Total Receipts	<u>463,152</u>	<u>463,152</u>	<u>680,562</u>	<u>217,410</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	780,524	897,541	867,159	30,382
Debt Service	101,592	104,830	104,830	
Administration	185,036	204,781	163,934	40,847
Total Disbursements	<u>1,067,152</u>	<u>1,207,152</u>	<u>1,135,923</u>	<u>71,229</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(604,000)</u>	<u>(744,000)</u>	<u>(455,361)</u>	<u>288,639</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	<u>600,000</u>	<u>600,000</u>	<u>420,000</u>	<u>(180,000)</u>
Total Other Adjustments to Cash (Uses)	<u>600,000</u>	<u>600,000</u>	<u>420,000</u>	<u>(180,000)</u>
Net Change in Fund Balance	(4,000)	(144,000)	(35,361)	108,639
Fund Balance - Beginning	<u>4,000</u>	<u>4,000</u>	<u>57,530</u>	<u>53,530</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (140,000)</u>	<u>\$ 22,169</u>	<u>\$ 162,169</u>

**LEWIS COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2017**  
**(Continued)**

**LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 16,000	\$ 16,000	\$ 19,975	\$ 3,975
Interest	10	10	13	3
Total Receipts	<u>16,010</u>	<u>16,010</u>	<u>19,988</u>	<u>3,978</u>
<b>DISBURSEMENTS</b>				
General Government	18,582	18,582	16,639	1,943
Administration	428	428		428
Total Disbursements	<u>19,010</u>	<u>19,010</u>	<u>16,639</u>	<u>2,371</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(3,000)</u>	<u>(3,000)</u>	<u>3,349</u>	<u>6,349</u>
Net Change in Fund Balance	(3,000)	(3,000)	3,349	6,349
Fund Balance - Beginning	<u>3,000</u>	<u>3,000</u>	<u>10,227</u>	<u>7,227</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 13,576</u>	<u>\$ 13,576</u>

**LEWIS COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2017**  
**(Continued)**

**COMMUNITY DEVELOPMENT BLOCK GRANTS FUND**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 800,000	\$ 800,000	\$ 799,232	\$ (768)
Total Receipts	800,000	800,000	799,232	(768)
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	800,000	800,000	799,232	768
Total Disbursements	800,000	800,000	799,232	768
Fund Balance - Ending	\$ 0	\$ 0	\$ 0	\$ 0

**LEWIS COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2017**  
**(Continued)**

	<b>ANIMAL SHELTER FUND</b>			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Intergovernmental	\$ 1,600	\$ 1,600	\$ 1,375	\$ (225)
Charges for Services	5,200	5,200	5,460	260
Miscellaneous	200	200	1,245	1,045
Interest	50	50	3	(47)
Total Receipts	<u>7,050</u>	<u>7,050</u>	<u>8,083</u>	<u>1,033</u>
<b>DISBURSEMENTS</b>				
General Health and Sanitation	46,332	47,050	46,104	946
Administration	718			
Total Disbursements	<u>47,050</u>	<u>47,050</u>	<u>46,104</u>	<u>946</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(40,000)</u>	<u>(40,000)</u>	<u>(38,021)</u>	<u>1,979</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	<u>39,000</u>	<u>39,000</u>	<u>37,000</u>	<u>(2,000)</u>
Total Other Adjustments to Cash (Uses)	<u>39,000</u>	<u>39,000</u>	<u>37,000</u>	<u>(2,000)</u>
Net Change in Fund Balance	(1,000)	(1,000)	(1,021)	(21)
Fund Balance - Beginning	<u>1,000</u>	<u>1,000</u>	<u>2,923</u>	<u>1,923</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,902</u>	<u>\$ 1,902</u>

**LEWIS COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2017**  
**(Continued)**

	<b>E-911 FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 165,000	\$ 165,000	\$ 194,454	\$ 29,454
Intergovernmental	140,000	140,000	139,805	(195)
Miscellaneous	1,000	1,000	296	(704)
Interest	100	100	92	(8)
Total Receipts	<u>306,100</u>	<u>306,100</u>	<u>334,647</u>	<u>28,547</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	309,440	335,711	263,887	71,824
Administration	76,660	50,389	27,966	22,423
Total Disbursements	<u>386,100</u>	<u>386,100</u>	<u>291,853</u>	<u>94,247</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(80,000)</u>	<u>(80,000)</u>	<u>42,794</u>	<u>122,794</u>
Net Change in Fund Balance	(80,000)	(80,000)	42,794	122,794
Fund Balance - Beginning	<u>80,000</u>	<u>80,000</u>	<u>72,482</u>	<u>(7,518)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 115,276</u>	<u>\$ 115,276</u>

**LEWIS COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2017**  
**(Continued)**

	<b>GRANT FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$	\$	\$ 69,971	\$ 69,971
Miscellaneous			13,567	13,567
Total Receipts			<u>83,538</u>	<u>83,538</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property		19,534	19,534	
Recreation and Culture		10,455	10,455	
Total Disbursements		<u>29,989</u>	<u>29,989</u>	
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		<u>(29,989)</u>	<u>53,549</u>	<u>83,538</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds			19,534	19,534
Transfers To Other Funds			<u>(69,991)</u>	<u>(69,991)</u>
Total Other Adjustments to Cash (Uses)			<u>(50,457)</u>	<u>(50,457)</u>
Net Change in Fund Balance		(29,989)	3,092	33,081
Fund Balance - Beginning				
Fund Balance - Ending	\$	0	\$ 3,092	\$ 33,081

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

**June 30, 2017**

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

**For The Year Ended June 30, 2017**

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

**For The Year Ended June 30, 2017**

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 512,900	\$	\$	\$ 512,900
Buildings	8,437,267			8,437,267
Equipment	496,066	133,157		629,223
Vehicles	2,060,874	61,161		2,122,035
Infrastructure	7,580,757	455,319		8,036,076
 Total Capital Assets	 <u>\$ 19,087,864</u>	 <u>\$ 649,637</u>	 <u>\$ 0</u>	 <u>\$ 19,737,501</u>

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

**June 30, 2017**

**Note 1. Capital Assets**

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

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10 - 60
Buildings and Building Improvements	\$ 25,000	10 - 75
Equipment	\$ 5,000	3 - 25
Vehicles	\$ 5,000	3 - 25
Infrastructure	\$ 10,000	10 - 50

**LEWIS COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For The Year Ended June 30, 2017**

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**LEWIS COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For The Year Ended June 30, 2017**

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity's Identifying Number</u>	<u>Provided to Subrecipient</u>	<u>Total Federal Expenditures</u>
<b><u>U. S. Department of Housing and Urban Development</u></b>				
<i>Passed- Through Kentucky Department for Local Government</i>				
Community Development Block Grant/State's Program	14.228	14-047	\$ 799,232	\$ 799,232
<b>Total U.S. Department of Housing and Urban Development</b>			<u>799,232</u>	<u>799,232</u>
<b><u>U. S. Department of Homeland Security</u></b>				
<i>Passed-Through Kentucky Department of Military Affairs</i>				
Disaster Grant - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-DR-4216		30,853
Emergency Management Performance Grants	97.042	EMA-2016-EP-00008-S01		3,850
Homeland Security Grant Program	97.067	15-230 and 15-231		<u>64,651</u>
<b>Total U.S. Department of Homeland Security</b>			<u>0</u>	<u>99,354</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 799,232</u>	<u>\$ 898,586</u>

The accompanying notes are an integral part of this schedule.

**LEWIS COUNTY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**June 30, 2017**

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Lewis County, Kentucky under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Lewis County, Kentucky, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Lewis County, Kentucky.

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

Expenditures reported on the Schedule are reported on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**Note 3. Indirect Cost Rate**

Lewis County has not adopted an indirect cost rate.

**Note 4. Subrecipients**

Lewis County was a pass through agency and distributed \$799,232 of Community Development Block Grant/State's Program funds to Lewis County Sanitation District #1.

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

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

The Honorable Anthony T. Ruckel, Lewis County Judge/Executive  
Members of the Lewis 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 Lewis County Fiscal Court for the fiscal year ended June 30, 2017, and the related notes to the financial statement which collectively comprise the Lewis County Fiscal Court's financial statement and have issued our report thereon dated October 23, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statement, we considered the Lewis 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 Lewis County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Lewis 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 Questioned Costs, we identified a certain deficiency in internal control that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2017-003 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 Lewis 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2017-002 and 2017-003.

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

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

**Purpose of this Report**

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

Respectfully submitted,



Mike Harmon  
Auditor of Public Accounts

October 23, 2018

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

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

The Honorable Anthony T. Ruckel, Lewis County Judge/Executive  
Members of the Lewis County Fiscal Court

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

Independent Auditor's Report

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

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

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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



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

**Opinion on Each Major Federal Program**

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

**Report on Internal Control over Compliance**

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

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

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

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

Respectfully submitted,



Mike Harmon  
Auditor of Public Accounts

October 23, 2018

**LEWIS COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For The Year Ended June 30, 2017**

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**LEWIS COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For The Year Ended June 30, 2017**

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

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

Internal control over financial reporting:

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

***Federal Awards***

Internal control over major programs:

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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grant/State's Program

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000	
Auditee qualified as a low-risk auditee?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

**LEWIS COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 2017**  
**(Continued)**

**Section II: Financial Statement Findings**

2017-001 The Jailer Did Not Have Adequate Segregation Of Duties Over Jail Commissary Accounting Functions

---

This is a repeat finding and was included in the prior year audit report as finding 2016-001. A lack of segregation of duties existed over jail commissary receipts, disbursements, and bank reconciliations. The jail commissary bookkeeper recorded receipts, prepared deposits, prepared the monthly receipts ledger, recorded entries on inmate accounts, prepared checks for disbursements, prepared the monthly disbursements ledger, and performed the monthly bank reconciliations. The official did not have controls in place to ensure the same person did not perform all jail commissary accounting functions.

A lack of segregation of duties or strong oversight increases the risk of undetected errors. A proper segregation of duties over jail commissary accounting functions, or implementing compensating controls, is essential for providing protection from undetected errors. Adequate segregation of duties is essential over receipts, disbursements, and bank reconciliations and would have prevented the same person from having a significant role in these incompatible functions.

The following are examples of other controls the jailer could implement:

- Triplicate receipts could be compared to the inmate account sheets and attached to deposit slips and reviewed by an independent person.
- Commissary sales amounts could be compared to inmate accounts in the system for agreement. Any differences should be reconciled.
- Any voided receipts should state the reason why and then be reviewed, initialed, and dated by an independent person.
- Supporting documentation for disbursements and invoices should be reviewed by the jailer prior to payment.
- The jailer, or his designee, could complete bank reconciliations or review the bookkeeper's reconciliations for accuracy.

We recommend the jailer separate the duties in preparing and depositing receipts, recording transactions, preparing checks, and reconciling bank accounts. If these duties cannot be segregated due to limited number of staff or budget, strong oversight should be provided over the employee(s) responsible for these duties. Any compensating controls performed should be documented by the reviewer's initials and date on applicable documentation.

Views of Responsible Official and Planned Corrective Action:

*County Jailer's Response: As of Oct. 2017 additional staff was hired to correct this issue.*

**LEWIS COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 2017**  
**(Continued)**

**Section II: Financial Statement Findings (Continued)**

2017-002 Inmate Monies Are Not Deposited Intact On A Daily Basis

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This is a repeat finding and was included in the prior year audit report as finding 2016-002. During the fiscal year ending June 30, 2017, we noted the jailer does not deposit inmate monies received intact on a daily basis. Inmates and other people bring funds to be deposited on behalf of the inmates in their accounts to be used to pay for housing, booking fees, medical charges, and to purchase items from the jail commissary. Deposits are made a couple times a week instead of daily. This was due to a lack of knowledge regarding deposit requirements.

When inmates' receipts are not deposited timely there is an increase in the risk of misappropriation of cash. The practice of making daily deposits reduces the risk of misappropriation of cash, which is the asset most subject to possible theft. Additionally, when deposits are not made timely, the risk that the bank account can be overdrawn increases.

The Department for Local Government (DLG) was given the authority by KRS 68.210 to prescribe a uniform system of accounts. The minimum requirements for handling public funds as stated in the *County Budget Preparation and State Local Finance Officer Policy Manual* require that deposits be made daily.

We recommend that inmate monies be deposited intact on a daily basis.

Views of Responsible Official and Planned Corrective Action:

*County Jailer's Response: The additional staff is helping prepare and make daily deposits.*

2017-003 The Fiscal Court Did Not Properly Disclose Debt Balances On The Quarterly Financial Report

---

This is a repeat finding and was included in the prior year audit report as finding 2016-003. The fiscal court did not report correct debt balances on the quarterly financial report. The liabilities journal contained misstatements for six of the county's seven debt issues for the year ended June 30, 2017. According to the county this appears to be due to a lack of oversight that resulted in the improper amounts being reported.

Debt payment activity was not always posted to the liabilities journal. The total principal outstanding balance was overstated by \$74,467 and the total interest outstanding balance was understated \$5,251. Liabilities information is not accurately presented to fiscal court, the Department for Local Government, and any other individuals interested in the county's financial condition.

Auditors compared debt payments and ending balances confirmed by debt holders to the county's liabilities journal and noted the variances listed above. Good internal controls require that liabilities be reported accurately. Furthermore, the Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual* requires that all debt be disclosed on the quarterly reports.

We recommend the county treasurer prepare and maintain an accurate liabilities journal to ensure proper disclosure on the quarterly financial report.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: This was an oversight and has since been corrected.*

**LEWIS COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 2017**  
**(Continued)**

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

None

**Section IV: Summary Schedule of Prior Audit Findings**

Corrective action was taken and the following prior year audit findings were corrected:

- 2016-004 The Fiscal Court Did Not Fix Salaries and Pay Rates For All County Employees On An Annual Basis In Accordance With KRS 64.530(1)
- 2016-005 The County Did Not Properly Record Budget Amendments
- 2016-006 The Jailer Did Not Maintain Accurate Records For The Jail Commissary Fund

Corrective action was not taken and the following prior year findings are repeated in the current Schedule of Findings and Questioned Costs:

- 2016-001 The Jailer Did Not Have Adequate Segregation Of Duties Over Jail Commissary Accounting Functions (Repeated as finding 2017-001)
- 2016-002 Inmate Monies Are Not Deposited Intact On A Daily Basis (Repeated as finding 2017-002)
- 2016-003 The County Did Not Properly Disclose Debt Balances On The Quarterly Financial Report (Repeated as finding 2017-003)

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

**LEWIS COUNTY FISCAL COURT**

**For The Year Ended June 30, 2017**

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CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE  
LEWIS COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2017

The Lewis 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.



Anthony T. Ruckel  
County Judge/Executive



Penny Lee  
County Treasurer