

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

**For The Fiscal Year Ended
June 30, 2007**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE OLDHAM COUNTY FISCAL COURT

June 30, 2007

The Auditor of Public Accounts has completed the audit of the Oldham County Fiscal Court for fiscal year ended June 30, 2007.

We have issued unqualified opinions, based on our audit and the reports of the other auditors, on the governmental activities, business-type activities, the discretely presented component unit, each major fund, and aggregate remaining fund information of Oldham County, Kentucky. In accordance with OMB Circular A-133, we have issued an unqualified opinion on the compliance requirements that are applicable to Oldham County's major federal program: Highway Planning and Construction (CFDA #20.205).

Financial Condition:

The fiscal court had net assets of \$23,639,439 as of June 30, 2007. The fiscal court had unrestricted net assets of \$9,468,661 in its governmental activities as of June 30, 2007, with total net assets of \$23,627,053. In its business-type activities, total net cash and cash equivalents were \$12,386 with total net assets of \$12,386. The fiscal court's discretely presented component unit had net assets of \$7,130,553 as of June 30, 2007. The discretely presented component unit had net cash and cash equivalents of \$555,758. The fiscal court had total debt principal as of June 30, 2007 of \$9,995,000 with \$629,000 due within the next year. The discretely presented component unit had total debt principal as of June 30, 2007 of \$16,486,284 with \$386,946 due within the next year.

Report Comments:

2007-1 Internal Control Over Payroll Should Be Strengthened

2007-2 Jail Canteen Lacks Adequate Segregation Of Duties Over Receipts And Expenditures

Deposits:

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

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Duane Murner, Oldham County Judge/Executive
Members of the Oldham County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Oldham County, Kentucky, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Oldham County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Oldham County Sewer District, a discretely presented component unit, which represents 100 percent of the assets and revenues of the discretely presented component opinion unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Oldham County Sewer District, is based on the report of the other auditors.

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 statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

As described in Note 1, Oldham County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Oldham County, Kentucky, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.



To the People of Kentucky
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The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Oldham County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the basic financial statements. The combining fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated December 21, 2007 on our consideration of Oldham County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the schedule of findings and questioned costs, included herein, which discusses the following report comments:

2007-1 Internal Control Over Payroll Should Be Strengthened
2007-2 Jail Canteen Lacks Adequate Segregation Of Duties Over Receipts And Expenditures

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

December 21, 2007

OLDHAM COUNTY OFFICIALS

For The Year Ended June 30, 2007

Fiscal Court Members:

Duane Murner	County Judge/Executive
Steve Church	Magistrate
David Vogel	Magistrate
Robert F. Leslie	Magistrate
Stephen Greenwell, Sr.	Magistrate
Ira Davis	Magistrate
Scott Davis	Magistrate
Rick Rash	Magistrate
Robert Deibel, Jr.	Magistrate

Other Elected Officials:

John R. Fendley	County Attorney
Mike Simpson	Jailer
Julie Lentz	County Clerk
Linda Mason	Circuit Court Clerk
Steve Sparrow	Sheriff
Ron Winters	Property Valuation Administrator
Brett Donner	Coroner

Appointed Personnel:

Stan Clark	County Treasurer
Shawn Boyle	Finance Officer

Oldham County Fiscal Court Management Analysis and Discussion Fiscal Year Ended June 30, 2007

Management's Discussion and Analysis June 30, 2007

The financial management of Oldham County, Kentucky offers readers of Oldham County's financial statements this narrative overview and analysis of the financial activities of Oldham County for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with other information that we have furnished in our letter of transmission and the notes to the financial statements.

Financial Highlights.

- Oldham County's primary government had total net assets in governmental activities of \$23,627,053 as of June 30, 2007. The fiscal court had unrestricted net assets of \$9,468,661 in the governmental activities as of June 30, 2007, with total net assets of \$23,627,053. Oldham County had current liabilities as of June 30, 2007 of \$629,000 and total liabilities of \$9,995,000. This debt service includes \$5,030,000 for the Courthouse renovations paid directly by Administrator of the Court (AOC) and the Oldham County Sewer District infrastructure.
- At the close of the current fiscal year, Oldham County governmental funds reported current assets of \$6,078,412, which is available for spending at the government's discretion (unreserved fund balance).
- Residential/commercial properties values remain stable. These activities continue to generate sustainable revenue for Oldham County.
- Oldham County has increased its' insurance premium tax to 10% (effective July 1, 2008), generating an estimated \$1.8 million in additionally tax revenues.
- The 911-surcharge tax was increased (effective November 20, 2007) by \$.50 on both residential and commercial phone lines generating an estimated \$200,000 additional tax revenues.

Overview of the Financial Statements.

This management discussion and analysis is intended to serve as an introduction to Oldham County's basic financial statements. Oldham County's basic financial statements are comprised of three components: 1) government wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Oldham County Fiscal Court
Management's Discussion and Analysis
June 30, 2007
(Continued)**

Overview of the Financial Statements. (Continued)

GASB 34 requires management to include certain comparison schedules when they are available. The schedules include prior and current comparisons of general revenues by major source, and program expenses by function.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Oldham County's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of Oldham County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Oldham County is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported on a modified cash basis of accounting. Basis of accounting is a reference to when financial events are recorded, such as timing for recognizing revenues, expenses, and related assets and liabilities.

Under the county's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from a cash transaction, except for the recording of depreciation expenses on capital assets in the government-wide financial statements for all activities and in the fund financial statements for the proprietary fund financial statements.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as amounts billed for services provided, but not collected) and accounts payable (expenses for goods and services received but not paid) or compensated absences are not recorded.

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or significant portion of their costs through user fees and charges (*business-type activities*). Oldham County's governmental activities include general government, protection to persons and property, roads, recreation, social services, debt service, capital projects, and administration. Oldham County has business type activities—Jail Canteen Fund.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Oldham County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Oldham County can be divided into broad categories: *governmental funds and proprietary funds*.

**Oldham County Fiscal Court
Management's Discussion and Analysis
June 30, 2007
(Continued)**

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because of focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Oldham County maintains (9) nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the (4) four major funds and combined for the (5) five non-major funds.

Major Funds:

- General Fund
- Road Fund
- Jail Fund
- Oldham County Public Facilities Construction Corporation Fund

Non-major Funds:

- Local Government Economic Assistance Fund
- Central Dispatch Fund
- Local Emergency Planning Committee Fund
- Homeland Security Fund
- County Police Accounts Fund

Oldham County adopts an annual appropriated budget for its major governmental funds. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with their budgets. A budgetary comparison statement has been provided for the General Fund, Road Fund, and Jail Fund to demonstrate compliance with their budgets.

Proprietary Funds. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The proprietary fund financial statement provides separate information for the Jail Canteen Fund.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Oldham County Fiscal Court
Management's Discussion and Analysis
June 30, 2007
(Continued)**

Financial Analysis of the County As A Whole

Net Assets. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position.

**Table 1
Oldham County's Net Assets**

	Governmental Activities		Business-type Activities		Total	
	2006	2007	2006	2007	2006	2007
Assets						
Current and other assets	10,382,967	9,668,412	9,504	12,386	10,392,471	9,680,798
Capital assets	23,572,071	23,953,641			23,572,071	23,953,641
Total Assets	33,955,038	33,622,053	9,504	12,386	33,964,542	33,634,439
Liabilities						
Current and other liabilities	595,000	629,000			595,000	629,000
Long-term liabilities	9,905,000	9,366,000			9,905,000	9,366,000
Total Liabilities	10,500,000	9,995,000			10,500,000	9,995,000
Net Assets						
Invested in capital assets, net of related debt	13,072,071	13,958,641			13,072,071	13,958,641
Restricted	191,263	199,751			191,263	199,751
Unrestricted	10,191,704	9,468,661	9,504	12,386	10,201,208	9,481,047
Total Net Assets	23,455,038	23,627,053	9,504	12,386	23,464,542	23,639,439

Changes in Net Assets.

Governmental Activities. Oldham County's net assets increased by \$172,015 in fiscal year 2007. Key elements of this are as follows:

- Current assets and cash decreased \$714,555.
- Investment in capital assets and infrastructure, net of related debt increased \$886,570.
- Current and long-term liabilities decreased by \$505,000, due to debt principal repaid.
- General revenues were \$9,085,006 and total revenues were \$14,551,778 as reflected in the Statement of Activities.
- Expenditures totaled \$14,379,763 as reflected in the Statement of Activities.

**Oldham County Fiscal Court
Management's Discussion and Analysis
June 30, 2007
(Continued)**

Financial Analysis of the County As A Whole (Continued)

**Table 2
Oldham County's Comparison
Of General Revenue by Source and
Program Expenses by Function**

Governmental Activities		
	2006	2007
Revenue		
General Revenue	\$8,830,686	\$9,085,006
Charges for Services	2,597,736	2,453,899
Operating Grants and Contributions	1,875,546	1,747,505
Capital Grants and Contributions	1,856,405	1,265,368
Total Revenue	15,160,373	14,551,278
Expenses		
General Government	3,877,237	3,561,277
Protection to Persons and Property	5,101,591	6,004,669
General Health and Sanitation	1,063,788	921,890
Social Services	97,312	68,274
Recreation and Culture	649,509	978,698
Roads	2,019,609	1,989,616
Bus Services	135,517	183,720
Other Transportation Facilities and Services	64,404	232,208
Transportation Facilities and Survives	0	18,274
Debt Service	306,998	354,108
Capital Projects	419,756	67,029
Total Expenses	\$13,735,721	\$14,379,763

**Oldham County Fiscal Court
Management's Discussion and Analysis
June 30, 2007
(Continued)**

Financial Analysis of the County's Funds

As noted earlier, Oldham County uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

Governmental Funds Overview. The focus of Oldham County governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of June 2007 fiscal year, the combined ending fund balances of County governmental funds were \$6,078,412. This amount consists of unreserved fund balance, which is available as working capital and for current spending in accordance with the purposes of the specific funds.

The County has (4) four major governmental, and (5) five non-major funds.

Major Funds

- General Fund
- Road Fund
- Jail Fund
- Oldham County Public Facilities Construction Corporation Fund

Non-major Funds

- Local Government Economic Assistance Fund
 - Central Dispatch Fund
 - Homeland Security Fund
 - Local Emergency Planning Committee Fund
 - County Police Account Fund

1. The General Fund is the chief operating fund of Oldham County. At the end of June 30, 2007 fiscal year, unreserved fund balance of the General Fund was \$3,549,566. The County received \$7,156,581 in real and personal property, motor vehicle, and other taxes for approximately 49% of the county's general revenues. Various other service fees and miscellaneous revenues contribute to the remaining 43% of revenues.
2. The Road Fund is the fund related to County road construction and maintenance. The Road and Bridge Fund had \$2,209,990 fund balance at June 30, 2007. The fiscal year 2007 expenditures for Road Fund were \$2,623,227.
3. The Jail Fund is used to account for the operation of the County's detention program. The Jail Fund had a balance at June 30, 2007 of \$(30,686). The Jail Fund received \$1,094,804 intergovernmental fees, primarily for housing prisoners. This represents a 38% increase from the prior year. The increase is primarily due to a 20% increase in jail capacity.
4. Public Facilities Construction Corporation Fund had a balance of \$199,717 at June 30, 2007.
5. The non-major governmental funds had a fund balance of \$149,825 at June 30, 2007.

**Oldham County Fiscal Court
Management's Discussion and Analysis
June 30, 2007
(Continued)**

Financial Analysis of the County's Funds (Continued).

Proprietary Funds Overview. The County's proprietary fund statements provide the same type of information found in the government-wide statements, but in more detail.

Oldham County has (1) one proprietary fund:

- Jail Canteen Fund

The Jail Canteen Fund's net assets at the end of June 30, 2007 fiscal year, amounted to \$12,386.

General Fund Budgetary Highlights.

During the Fiscal Year ending June 30, 2007, the Fiscal Court had no budget amendments.

Capital Assets and Debt Administration.

Capital Assets. Oldham County's investment in capital assets for its government and business type activities as of June 30, 2007, amounted to \$23,953,641 (net of accumulated depreciation). This investment in capital assets includes buildings, improvements to land other than buildings, machinery and equipment, vehicles, current infrastructure additions, construction in progress for park improvements, and old jail improvement. Oldham County has elected to report infrastructure assets per GASB 34 provisions.

Major capital asset events during the 2007 fiscal year included the completion of construction of the landfill, completion of construction of a public works building, completion of construction of a fire station, purchase of a downtown building to renovate for housing the Office of the Commonwealth Attorney and the County Attorney, started construction of a drainage basin and soccer complex, heavy equipment for solid waste, fire and road operations, and the purchase of several vehicles.

Additional information of the County's capital assets can be found in Note 3 of this report.

**Oldham County
Management's Discussion and Analysis
June 30, 2006
(Continued)**

**Table 3
Oldham County's Capital Assets, Net of Accumulated Depreciation**

	Governmental Activities	
	2006	2007
Infrastructure Assets	\$11,767,489	\$13,161,605
Land	1,390,378	1,390,378
Const. In Progress	140,081	191,036
Bldgs. & Improvements	16,189,939	16,189,939
Vehicles & Equip.	5,114,814	5,436,194
Less: Accumulated Deprec.	<u>(11,030,630)</u>	<u>(12,415,511)</u>
Total Net Assets	<u>\$23,572,071</u>	<u>\$23,953,641</u>

Long-Term Debt. At the end of the 2007 fiscal year, Oldham County had total bonded debt outstanding of \$9,995,000 from General Obligation Bonds, Revenue Bonds, and Financing Obligations. Additional information on the County's debt can be found in note 4 of the report.

Requests For Information.

This financial report is designed to provide a general overview of Oldham County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this or requests for additional financial information should be addressed to the Oldham County Finance Officer, Shawn Boyle, 100 West Jefferson Street, LaGrange, Kentucky, 40031

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**OLDHAM COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

June 30, 2007

OLDHAM COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
June 30, 2007

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Totals	Oldham County Sewer District
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 5,318,087	\$ 12,386	\$ 5,330,473	\$ 555,758
Investments	760,325		760,325	3,418,983
Note Receivable	80,000		80,000	
Total Current Assets	<u>6,158,412</u>	<u>12,386</u>	<u>6,170,798</u>	<u>3,974,741</u>
Noncurrent Assets:				
Note Receivable	3,510,000		3,510,000	
Capital Assets				
Construction In Progress	191,036		191,036	5,355,330
Land and Land Improvements	1,390,378		1,390,378	108,700
Buildings	15,753,579		15,753,579	
Building Improvements	436,360		436,360	
Vehicles	2,858,348		2,858,348	
Equipment	2,577,846		2,577,846	
Infrastructure	13,161,605		13,161,605	
Sewer Distribution System				
Treatment Plant				15,855,849
Less: Accumulated Depreciation	<u>(12,415,511)</u>		<u>(12,415,511)</u>	<u>(1,677,783)</u>
Total Noncurrent Assets	<u>27,463,641</u>		<u>27,463,641</u>	<u>19,642,096</u>
Total Assets	<u>33,622,053</u>	<u>12,386</u>	<u>33,634,439</u>	<u>23,616,837</u>
LIABILITIES				
Current Liabilities:				
Line of Credit				1,467
General Obligation Bonds Payable	295,000		295,000	
Revenue Bonds Payable	165,000		165,000	
Financing Obligations Payable	169,000		169,000	385,479
Total Current Liabilities	<u>629,000</u>		<u>629,000</u>	<u>386,946</u>
Noncurrent Liabilities:				
General Obligation Bonds Payable	4,265,000		4,265,000	
Revenue Bonds Payable	1,200,000		1,200,000	
Financing Obligations Payable	3,901,000		3,901,000	16,099,338
Total Noncurrent Liabilities	<u>9,366,000</u>		<u>9,366,000</u>	<u>16,099,338</u>
Total Liabilities	<u>9,995,000</u>		<u>9,995,000</u>	<u>16,486,284</u>
NET ASSETS				
Invested in Capital Assets,				
Net of Related Debt	13,958,641		13,958,641	6,576,262
Restricted For:				
Debt Service	199,717		199,717	
Grant Projects	34		34	
Unrestricted	9,468,661	12,386	9,481,047	554,291
Total Net Assets	<u>\$ 23,627,053</u>	<u>\$ 12,386</u>	<u>\$ 23,639,439</u>	<u>\$ 7,130,553</u>

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

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**OLDHAM COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2007

OLDHAM COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

Functions/Programs Reporting Entity	Expenses	Program Revenues Received		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 3,561,277	\$ 561,544	\$ 620,709	\$ 12,386
Protection to Persons and Property	6,004,669	1,390,544	378,988	17,909
General Health and Sanitation	921,890	67,862	114,475	
Social Services	68,274			
Recreation and Culture	978,698	253,282	40,431	136,538
Transportation Facilities and Services	18,274		38,888	
Bus Services	183,720		172,018	
Other Transportation Facilities and Services	232,208			
Roads	1,989,616	180,667	381,996	1,098,535
Debt Service	354,108			
Capital Projects	67,029			
Total Governmental Activities	14,379,763	2,453,899	1,747,505	1,265,368
Business-type Activities:				
Jail Canteen	98,671	101,553		
Total Business-type Activities	98,671	101,553		
Total Primary Government	\$ 14,478,434	\$ 2,555,452	\$ 1,747,505	\$ 1,265,368
Component Unit:				
Oldham County Sewer District	\$ 3,688,406	\$ 2,243,624	\$ 966,301	\$ 210,000

General Revenues:

Taxes:

Real Property Taxes

Personal Property Taxes

Motor Vehicle Taxes

Other Taxes

Excess Fees

Unrestricted Investment Earnings

Miscellaneous Revenues

Gain on Sale of Capital Assets

Investment Income

Total General Revenues

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

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

OLDHAM COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2007
(Continued)

Net (Expenses) Revenues and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-Type Activities	Totals	Component Unit
\$ (2,366,638)	\$	\$ (2,366,638)	\$
(4,217,228)		(4,217,228)	
(739,553)		(739,553)	
(68,274)		(68,274)	
(548,447)		(548,447)	
20,614		20,614	
(11,702)		(11,702)	
(232,208)		(232,208)	
(328,418)		(328,418)	
(354,108)		(354,108)	
(67,029)		(67,029)	
(8,912,991)		(8,912,991)	
	2,882	2,882	
	2,882	2,882	
\$ (8,912,991)	\$ 2,882	\$ (8,910,109)	
			(268,481)
4,062,714		4,062,714	
50,837		50,837	
534,534		534,534	
3,767,134		3,767,134	
99,871		99,871	
298,473		298,473	
241,865		241,865	
29,578		29,578	
			335,493
9,085,006		9,085,006	335,493
172,015	2,882	174,897	67,012
23,455,038	9,504	23,464,542	7,063,541
\$ 23,627,053	\$ 12,386	\$ 23,639,439	\$ 7,130,553

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

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OLDHAM COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2007

OLDHAM COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2007

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>Public Facilities Construction Corporation Fund</u>	<u>Non- Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and Cash Equivalents	\$ 2,789,241	\$ 2,209,990	\$	\$ 199,717	\$ 149,825	\$ 5,348,773
Investments	760,325					760,325
Total Assets	<u>\$ 3,549,566</u>	<u>\$ 2,209,990</u>	<u>\$ 0</u>	<u>\$ 199,717</u>	<u>\$ 149,825</u>	<u>\$ 6,109,098</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Cash Shortage	\$	\$	\$ 30,686	\$	\$	\$ 30,686
Total Liabilities	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 30,686</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 30,686</u>
FUND BALANCES						
Unreserved:						
General Fund	\$ 3,549,566					3,549,566
Special Revenue Funds		2,209,990	(30,686)		149,825	2,329,129
Debt Service Fund				199,717		199,717
Total Fund Balances	<u>3,549,566</u>	<u>2,209,990</u>	<u>(30,686)</u>	<u>199,717</u>	<u>149,825</u>	<u>6,078,412</u>
Total Liabilities and Fund Balances	<u>\$ 3,549,566</u>	<u>\$ 2,209,990</u>	<u>\$ 0</u>	<u>\$ 199,717</u>	<u>\$ 149,825</u>	<u>\$ 6,109,098</u>

Reconciliation of the Balance Sheet - Governmental Funds To The Statement Of Net Assets

Total Fund Balances	\$ 6,078,412
Amounts Reported for Governmental Activities in the Statement of Net Assets Are Different Because:	
Notes Receivable Used in Governmental Activities Are Not Financial Resources and Therefore Are Not Reported in the Funds	3,590,000
Capital Assets Used in Governmental Activities Are Not Financial Resources and Therefore Are Not Reported in the Funds.	36,369,152
Accumulated Depreciation	(12,415,511)
Long-term Debt Is Not Due and Payable in the Current Period and, Therefore, Is Not Reported in the Funds.	
Financing Obligations	(4,070,000)
Revenue Bonds	(1,365,000)
General Obligation Bonds	(4,560,000)
Net Assets Of Governmental Activities	<u>\$ 23,627,053</u>

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

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OLDHAM COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

OLDHAM COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

	General Fund	Road Fund	Jail Fund	Public Facilities Construction Corporation Fund
REVENUES				
Taxes	\$ 6,591,581	\$ 561,009	\$	\$
In Lieu of Tax Payments	565,000			
Excess Fees	99,871			
Licenses and Permits	491,797			
Intergovernmental	449,588	1,336,763	1,094,804	207,393
Charges for Services	545,537	71,469	187,803	
Miscellaneous	345,402	26,882	32,239	52,333
Interest	196,549	90,424	191	9,420
Total Revenues	<u>9,285,325</u>	<u>2,086,547</u>	<u>1,315,037</u>	<u>269,146</u>
EXPENDITURES				
General Government	2,563,866			
Protection to Persons and Property	3,306,523		1,639,382	
General Health and Sanitation	779,606			
Social Services				
Recreation and Culture	792,654			
Transportation Facilities and Services				
Bus Services				
Other Transportation Facilities and Services				
Roads		2,623,154		
Debt Service	629,801			259,725
Capital Projects	18,899			
Administration	690,993	73	15,665	
Total Expenditures	<u>8,782,342</u>	<u>2,623,227</u>	<u>1,655,047</u>	<u>259,725</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>502,983</u>	<u>(536,680)</u>	<u>(340,010)</u>	<u>9,421</u>
Other Financing Sources (Uses)				
Refunding Bonds	2,160,000			
Payment to Refund Bonds - Escrow Agent	(2,116,082)			
Bond Discount	(13,500)			
Transfers From Other Funds	259,286	431,631	330,278	(363)
Transfers To Other Funds	(1,403,575)		(14,449)	
Total Other Financing Sources (Uses)	<u>(1,113,871)</u>	<u>431,631</u>	<u>315,829</u>	<u>(363)</u>
Net Change in Fund Balances	(610,888)	(105,049)	(24,181)	9,058
Fund Balances - Beginning	4,160,454	2,315,039	(6,505)	190,659
Fund Balances - Ending	<u>\$ 3,549,566</u>	<u>\$ 2,209,990</u>	<u>\$ (30,686)</u>	<u>\$ 199,717</u>

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

OLDHAM COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2007
(Continued)

<u>Non- Major Funds</u>	<u>Total Governmental Funds</u>
\$ 697,629	\$ 7,850,219
	565,000
	99,871
	491,797
806,505	3,895,053
	804,809
104,200	561,056
1,889	298,473
<u>1,610,223</u>	<u>14,566,278</u>
	2,563,866
1,040,061	5,985,966
109,653	889,259
68,274	68,274
210,769	1,003,423
18,274	18,274
183,720	183,720
232,208	232,208
	2,623,154
	889,526
48,130	67,029
4,821	711,552
<u>1,915,910</u>	<u>15,236,251</u>
<u>(305,687)</u>	<u>(669,973)</u>
	2,160,000
	(2,116,082)
	(13,500)
656,115	1,676,947
<u>(258,923)</u>	<u>(1,676,947)</u>
<u>397,192</u>	<u>30,418</u>
91,505	(639,555)
58,320	6,717,967
<u>\$ 149,825</u>	<u>\$ 6,078,412</u>

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

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**OLDHAM COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2007

OLDHAM COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

Net Change in Fund Balances - Total Governmental Funds	\$ (639,555)
<p>Governmental Funds Report Capital Outlays as Expenditures. However, in the Statement of Activities the Cost of those Assets Is Allocated Over their Estimated Useful Lives and Reported as Depreciation Expense.</p>	
Capital Outlay	2,060,585
Depreciation Expense	(1,750,009)
Assets Disposed of, Net Book Value	(16,000)
Capital Assets Purchased By Oldham County Sheriff	86,994
Payment on Receivable Provides for Current Financial Resources to Governmental Funds, while at the Government-wide Level, a Reduction of the Receivable Occurs. These Transactions Have No Effect on Net Assets.	(75,000)
<p>Financing Obligations and Bond Principal Payments Are Expensed in the Governmental Funds as a Use of Current Financial Resources. However, these Amounts Decrease Non-current Liabilities on the Statement of Net Assets and Have Been Eliminated on the Statement of Activities.</p>	
General Obligation Bond Proceeds	(2,160,000)
Payment to Bond Escrow Agent for Advanced Refunding	2,035,000
General Obligation Bond Principal Payments	305,000
Revenue Bonds Principal Payments	165,000
Financing Obligations Principal Payments	160,000
	<hr/>
Change in Net Assets of Governmental Activities	<u><u>\$ 172,015</u></u>

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

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OLDHAM COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2007

OLDHAM COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2007

	Business-Type Activity Enterprise Fund
	Jail Canteen Fund
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 12,386
Total Current Assets	12,386
 Net Assets	
Unrestricted	12,386
Total Net Assets	\$ 12,386

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

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OLDHAM COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

OLDHAM COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

	Business-Type Activity Enterprise Fund
	Jail Canteen Fund
Operating Revenues	
Canteen Revenues	\$ 101,553
Total Operating Revenues	101,553
Operating Expenses	
Cost of goods sold and other expenses	98,671
Total Operating Expenses	98,671
Operating Income	2,882
Change In Net Assets	2,882
Total Net Assets - Beginning	9,504
Total Net Assets - Ending	\$ 12,386

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

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OLDHAM COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

OLDHAM COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

	Business-Type Activity Enterprise Fund	Jail Canteen Fund
	<u> </u>	<u> </u>
Cash Flows From Operating Activities		
Canteen receipts	\$ 101,553	
Cost of goods sold and other expenses	<u>(98,671)</u>	
Net Cash Provided By Operating Activities	<u>2,882</u>	
Net Increase in Cash and Cash Equivalents	2,882	
Cash and Cash Equivalents - July 1, 2006	<u>9,504</u>	
Cash and Cash Equivalents - June 30, 2007	<u>\$ 12,386</u>	
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
<hr/>		
Operating Income	<u>\$ 2,882</u>	
Net Cash Provided By Operating Activities	<u>\$ 2,882</u>	

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

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OLDHAM COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS

June 30, 2007

OLDHAM COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS

June 30, 2007

	Agency Fund
	Planning and Zoning Bond Escrow Fund
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 254,170
Total Assets	254,170
Liabilities	
Amounts Held In Custody For Others	254,170
Total Liabilities	254,170
Net Assets	
Total Net Assets	\$ 0

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

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**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

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OLDHAM COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on the Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however, the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

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

Blended Component Unit

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

Oldham County Public Facilities Construction Corporation

The Public Facilities Construction Corporation (PFCC) was created for the financing and renovation of the Oldham County Courthouse and financing and construction of a recreation center. Fiscal Court has the authority to appoint a voting majority of the PFCC's board of directors and PFCC was deemed a component unit of the County. Financial information for the Public Facilities Construction Corporation is blended within Oldham County's financial statements and is presented as the Public Facilities Construction Corporation Fund.

OLDHAM COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Discretely Presented Component Unit

The component unit's columns in the government-wide financial statements include the data of the following organization. It is reported on the Statement of Net Assets and the Statement of Activities in a separate column that is labeled as "Component Unit" to emphasize this organization's separateness from the fiscal court's primary government.

Oldham County Sewer District

The Oldham County Sewer District (District) was created and exists pursuant to the provisions of KRS 67.083(3)(c), (h), and (r); KRS 67.715(2); and by the Fiscal Court. The District was created with the mission to provide a coordinated design and operational solution for wastewater service in Oldham County. The Fiscal Court appoints a majority of the District's board and the District was deemed a component unit of Oldham County Fiscal Court. The Oldham County Sewer District is included as a discretely presented component unit on Oldham County's financial statements and was audited by other auditors.

Audited financial statements for the Oldham County Sewer District, a discretely presented component unit, may be requested by contacting the Oldham County Sewer District, P.O. Box 809, Crestwood, Kentucky 40014.

Oldham County Airport Board

The Oldham County Airport Board was created to study whether a general aviation airport was feasible for Oldham County. The Board had no assets or activity on its own in fiscal year 2007.

C. Oldham County Elected Officials

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

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

OLDHAM COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements

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

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

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

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

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

OLDHAM COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

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

Governmental Funds

The primary government reports the following major governmental 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 Governor's Office for Local Development 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 source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the fiscal court to maintain these revenues and expenditures separately from the general fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Governor's Office for Local Development requires the fiscal court to maintain these revenues and expenditures separately from the General Fund.

Public Facilities Construction Corporation Fund - The primary purpose of this fund is to account for the proceeds and debt service of revenue bonds that were issued to fund construction of public buildings.

The primary government also has the following non-major funds: Local Government Economic Assistance Fund, County Police Accounts Fund, Central Dispatch Fund, Local Emergency Planning Committee Fund, and the Homeland Security Fund. These funds are used to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Special Revenue Funds:

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, Central Dispatch Fund, Local Emergency Planning Committee Fund, Homeland Security Fund, and the County Police Accounts Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Debt Service Fund:

The Public Facilities Construction Corporation Fund is a debt service fund. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

Generally and 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 lien and sale the 3rd Saturday in April following the delinquency date.

OLDHAM COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

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

Proprietary Funds

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

The primary government reports the following major proprietary fund:

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

Fiduciary Funds

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The county's agency fund is used to account for monies held by the county in the Utility Tax Fund for custodial purposes only. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

The primary government reports the following fiduciary fund:

Planning and Zoning Bond Escrow Fund - This fund accounts for funds received from contractors, which are held until a project is finished.

Presentation of Component Unit

The financial statements present the following major discretely presented component unit: Oldham County Sewer District

The component unit is presented on the Statement of Net Assets and the Statement of Activities in a separate total column that is labeled "Component Unit" to emphasize this organization's separateness from the fiscal court's primary government.

OLDHAM COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Deposits and Investments

The government's cash and cash equivalents are 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.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, 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). Investments are recorded at cost and changes in fair market value of investments are not recorded.

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

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

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 5,000	20-25
Buildings and Building Improvements	\$ 5,000	10-60
Machinery and Equipment	\$ 5,000	3-20
Vehicles	\$ 5,000	3-12
Infrastructure	\$ 5,000	12-25

G. Long-term Obligations

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

In the fund financial statements, governmental funds recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

OLDHAM COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. Formal budgets are not adopted for the Public Facilities Construction Corporation Fund and the Jail Canteen Fund.

The State Local Finance Officer does not require the Public Facilities Construction Corporation Fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually and transfers are budgeted in the General Fund to comply with these requirements. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

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

The State Local Finance Officer does not require the Jail Canteen Fund to be budgeted because the fiscal court does not approve the expenses of these funds.

J. Related Organizations and Joint Venture

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Oldham County Fiscal Court: Oldham County Ambulance Service and the Oldham County Public Library. The fiscal court's accountability for these organizations, however, does not extend beyond making the appointments.

OLDHAM COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

J. Related Organizations and Joint Venture (Continued)

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

Note 2. Deposits and Investments

A. Deposits

The primary government and component units 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(4), 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 county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2007, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

B. Investments

As of June 30, 2007, the County had the following investments:

<u>Investments</u>	<u>Maturity</u>	<u>Cost</u>	<u>Rating</u>	<u>Concentration</u>
Primary Government:				
Federal Home Loan Bank Bond	1/2/09	\$ 95,420	AAA	0.1255
Federal Home Loan Bank Note	3/6/09	400,005	AAA	0.5261
Federal Home Loan Bank Bond	3/20/09	100,048	AAA	0.1316
Federal National Mortgage Assoc. Note	8/25/09	164,852	AAA	0.2168
		<u>\$ 760,325</u>		<u>1.0000</u>

OLDHAM COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 2. Deposits and Investments (Continued)

B. Investments (Continued)

As of June 30, 2007, the discretely presented component unit had the following investments:

Component Unit:	
State Bonds	\$ 743,983
Federal Bonds	<u>2,675,000</u>
	<u>\$ 3,418,983</u>

Interest Rate Risk. The County does not have a formal investment policy that limits its investment maturities as a means of managing its exposure to losses arising from changes in interest rates. In general, certificates of deposit are not subject to interest rate risk.

Credit Risk and Concentration of Credit Risk. KRS 66.480 limits the County's investments in the following: obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, obligations and contracts for future delivery or purchase of obligations backed by the United States or its agencies and obligations of any corporation of the United States Government. Certificates of Deposit issued by or other interest bearing accounts of any bank or savings and loan institution insured by the Federal Deposit Insurance Corporation or similar entity. Uncollateralized certificates of deposit issued by any bank or savings and loan institution rated in one of the three highest categories by a nationally recognized rating agency. Bankers' acceptances for banks rated in one of the three highest categories by a nationally recognized rating agency. Commercial paper rated in the highest category by a nationally recognized rating agency. Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities. Securities issued by a state or local government, or any instrumentality or agency thereof, in the United States and rated in one of the three highest categories by a nationally recognized rating agency. Shares of mutual funds meeting specific characteristics outlined in the statute shall be eligible investments. Also, the County is limited to investing no more than 20% in any one of four specifically named investments as allowed by KRS 66.480: certificates of deposit issued by a bank or savings and loan institution rated in one of the three highest categories by a nationally recognized rating agency; banker's acceptances for banks rated in one of the three highest categories by a nationally recognized rating agency; commercial paper rated in the highest category by a nationally recognized rating agency; or securities issued by a state or local government, or any instrumentality or agency thereof, in the United States, and rated in one of the three highest categories by a nationally recognized rating agency. The County had no investment policy that would further limit its investment choices. In general, U. S. government obligation or obligations guaranteed by the U. S. government are not subject to investment credit risk or concentration of credit risk.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the county will not be able to recover the value of its investments held in the possession of an outside party. The County does not have an investment policy for custodial credit risk. As of June 30, 2007, all investments were covered by either Securities Investors Protection Corporation (SIPC), Customer Asset Protection Company, a standard Form 14 bond underwritten by AIG, and Underwriters at London.

OLDHAM COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows:

	Reporting Entity			Ending Balance
	Beginning Balance	Increases	Decreases	
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 1,390,378	\$	\$	\$ 1,390,378
Construction In Progress	140,081	50,955		191,036
Total Capital Assets Not Being Depreciated	<u>1,530,459</u>	<u>50,955</u>		<u>1,581,414</u>
Capital Assets, Being Depreciated:				
Buildings	15,753,579			15,753,579
Building Improvements	436,360			436,360
Vehicles	2,802,977	416,499	(361,128)	2,858,348
Equipment	2,311,837	286,009	(20,000)	2,577,846
Infrastructure	11,767,489	1,394,116		13,161,605
Total Capital Assets Being Depreciated	<u>33,072,242</u>	<u>2,096,624</u>	<u>(381,128)</u>	<u>34,787,738</u>
Less Accumulated Depreciation For:				
Buildings	(3,061,916)	(285,053)		(3,346,969)
Building Improvements	(92,998)	(30,269)		(123,267)
Vehicles	(1,789,316)	(318,386)	346,128	(1,761,574)
Equipment	(1,009,807)	(284,731)	19,000	(1,275,538)
Infrastructure	(5,076,593)	(831,570)		(5,908,163)
Total Accumulated Depreciation	<u>(11,030,630)</u>	<u>(1,750,009)</u>	<u>365,128</u>	<u>(12,415,511)</u>
Total Capital Assets, Being Depreciated, Net	<u>22,041,612</u>	<u>346,615</u>	<u>(16,000)</u>	<u>22,372,227</u>
Governmental Activities Capital Assets, Net	<u>\$ 23,572,071</u>	<u>\$ 397,570</u>	<u>\$ (16,000)</u>	<u>\$ 23,953,641</u>

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

<u>Governmental Activities:</u>	
General Government	\$ 325,800
Protection to Persons and Property	330,909
General Health and Sanitation	32,631
Recreation and Culture	104,355
Roads, Including Depreciation of General Infrastructure Assets	<u>956,314</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,750,009</u>

OLDHAM COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 3. Capital Assets (Continued)

Capital asset activity for the discretely presented component unit for the year ended June 30, 2007 was as follows:

	Reporting Entity			Ending Balance
	Beginning Balance	Increases	Decreases	
Capital Assets Not Being Depreciated:				
Land	\$ 108,700	\$	\$	\$ 108,700
Construction In Progress	2,035,304	4,013,495	(693,469)	5,355,330
Total Capital Assets Not Being Depreciated	<u>2,144,004</u>	<u>4,013,495</u>	<u>(693,469)</u>	<u>5,464,030</u>
Capital Assets, Being Depreciated:				
Sewer Distribution System/ Treatment Plant	15,033,970	413,739	(57,086)	15,390,623
Office Equipment	39,181			39,181
Equipment	199,901	69,483		269,384
Vehicles	155,048	1,613		156,661
Total Capital Assets Being Depreciated	<u>15,428,100</u>	<u>484,835</u>	<u>(57,086)</u>	<u>15,855,849</u>
Less Accumulated Depreciation	<u>(1,364,696)</u>	<u>(509,004)</u>	<u>195,917</u>	<u>(1,677,783)</u>
Total Capital Assets, Being Depreciated, Net	<u>14,063,404</u>	<u>(24,169)</u>	<u>138,831</u>	<u>14,178,066</u>
Capital Assets, Net	<u>\$ 16,207,408</u>	<u>\$ 3,989,326</u>	<u>\$ (554,638)</u>	<u>\$ 19,642,096</u>

Depreciation expense was charged to functions of the discretely presented major component units as follows:

Oldham County Sewer District	<u>\$ 509,004</u>
Total Depreciation Expense - Component Unit	<u>\$ 509,004</u>

Note 4. Long-term Debt

A. Fiscal Court Building-Financing Obligations

On June 8, 1992, the fiscal court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program in the amount of \$1,381,000 at 5.49 percent for work on the Oldham County Fiscal Court Building. The lease was refinanced on May 7, 2001. The lease term for this agreement is 11 years at an interest rate of 4.2% with the balance to be paid in full January 20, 2012. The principal balance on the lease was \$480,000 as of June 30, 2007. Principal payment requirements and scheduled interest for the remaining term of the agreement are as follows:

OLDHAM COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 4. Long-term Debt (Continued)

A. Fiscal Court Building-Financing Obligations (Continued)

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Scheduled Interest
2008	\$ 89,000	\$ 21,621
2009	92,000	17,215
2010	96,000	12,643
2011	100,000	7,876
2012	103,000	2,933
Totals	<u>\$ 480,000</u>	<u>\$ 62,288</u>

B. Sewer District-Financing Obligations and Note Receivable

On June 14, 2001, the fiscal court on behalf of the Oldham County Sewer District entered into an agreement with the Kentucky Association of Counties Leasing Trust Program in the amount of \$4,000,000 at an interest rate of 4.94% for acquisition of various local wastewater treatment facilities, renovation thereto, and the professional and administrative fees incurred in this acquisition. The lease term is for 30 years with the balance to be paid in full on January 20, 2031. The Oldham County Sewer District makes the principal and interest payments to National City Bank (the trustee). The principal and note receivable balance on the lease was \$3,590,000 as of June 30, 2007. Principal payment requirements and scheduled interest for the remaining term of the agreement are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Scheduled Interest
2008	\$ 80,000	\$ 199,937
2009	85,000	195,323
2010	85,000	190,545
2011	90,000	185,649
2012	95,000	180,473
2013-2017	560,000	814,365
2018-2022	725,000	634,125
2023-2027	930,000	404,324
2028-2031	940,000	113,741
Totals	<u>\$ 3,590,000</u>	<u>\$ 2,918,482</u>

OLDHAM COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 4. Long-term Debt (Continued)

C. First Mortgage Revenue Bond, Series 1997-Recreation Center

On August 15, 2006, the Oldham County Fiscal Court advance refunded \$ 2,035,00 (note 4.F) of first mortgage revenue bonds, 1997 series, issued by the Oldham County Public Facilities Construction Corporation. Payments due after December 1, 2006, were paid from the escrow account. The 1997 series bonds carried interest rates of 3.9% to 5.25%, the refunding bond series 2006, carry interest rates varying from 3.7 % to 4.0%. The bonds were called on June 1, 2007.

D. General Obligation Bonds, Series 2002-Fiscal Court Building

Oldham County Fiscal Court issued general obligation bonds of \$3,170,000, series 2002, dated June 20, 2002, to finance a portion of the costs of acquiring, constructing and equipping additions to the county courthouse annex (the fiscal court building). These bonds were issued at varying interest rates ranging from 2.250% to 4.7%, and will be retired by June 1, 2022. Interest payments are due on December 1 and interest and principal June 1. Principal payment requirements and scheduled interest for the retirement of the bonds are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	\$ 130,000	\$ 111,841
2009	130,000	107,291
2010	135,000	102,481
2011	145,000	97,284
2012	150,000	91,556
2013-2017	840,000	359,289
2018-2022	1,050,000	151,945
Totals	<u>\$ 2,580,000</u>	<u>\$ 1,021,688</u>

OLDHAM COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 4. Long-term Debt (Continued)

E. First Mortgage Revenue Bond, Refunding Series 2004-Courthouse

Oldham County Public Facilities Construction Corporation issued first mortgage revenue bonds; series 2004, dated November 1, 2004, to advance refund the 1994 series, which was used to fund renovation of the Oldham County Courthouse. The 2004 series bonds were issued at varying interest rates ranging from 1.9% to 3.5%, and will be retired by June 1, 2022. Interest payments are due on February 1 and interest and principal August 1. Principal payment requirements and scheduled interest for the retirement of the bonds are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	\$ 165,000	\$ 38,804
2009	170,000	34,822
2010	175,000	30,248
2011	180,000	25,097
2012	185,000	19,484
2013-2015	490,000	22,085
Totals	<u>\$ 1,365,000</u>	<u>\$ 170,540</u>

F. General Obligation Bonds, Refunding Series 2006-Recreation Center

Oldham County Fiscal Court issued general obligation bonds of \$2,160,000; series 2006, dated July 1, 2006, to advance refund the Oldham County Public Facilities Construction Corporation Mortgage Revenue Bonds (Recreation Center Project), Series 1997, dated June 1, 1997. The 2006 series bonds were issued at varying interest rates ranging from 3.7% to 4.0%, and will be retired by June 1, 2017. Interest payments are due on December 1 and interest and principal June 1. Principal payment requirements and scheduled interest for the retirement of the bonds are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	\$ 165,000	\$ 75,365
2009	170,000	69,260
2010	180,000	62,970
2011	190,000	56,310
2012	195,000	49,280
2013-2017	1,080,000	130,990
Totals	<u>\$ 1,980,000</u>	<u>\$ 444,175</u>

OLDHAM COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 4. Long-term Debt (Continued)

G. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2007, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 2,705,000	\$ 2,160,000	\$ 305,000	\$ 4,560,000	\$ 295,000
Revenue Bonds	3,565,000		2,200,000	1,365,000	165,000
Financing Obligations	4,230,000		160,000	4,070,000	169,000
				<u>4,070,000</u>	<u>169,000</u>
Governmental Activities Long-term Liabilities	<u>\$ 10,500,000</u>	<u>\$ 2,160,000</u>	<u>\$ 2,665,000</u>	<u>\$ 9,995,000</u>	<u>\$ 629,000</u>

Note 5. Interest On Long-term Debt and Financing Obligations

Debt Service on the Statement of Activities includes \$30,366 in interest on financing obligations and \$221,288 in interest on bonds and notes. In addition the Oldham County Sewer District paid directly to the trustee \$207,904 in interest on financing obligations.

Note 6. Commitment

Oldham County Development Board, a joint venture of Oldham County Fiscal Court and City of LaGrange, issued General Obligation Lease Revenue Notes, 2005 Series A, 2005 Series B, 2005 Series C, and 2005 Series D dated July 1, 2005 for \$10,000,000, for the purchase of land and infrastructure improvements thereto, to be used for economic development purposes. These bonds were issued at varying interest rates ranging from 3.75% to 4.4%, and will be retired by December 1, 2030. Interest payments are due on June 1 and interest and principal December 1. The first interest payment was made December 1, 2005, and the first principal payment is not due until December 1, 2008.

Note 7. Employee Retirement System

The fiscal court and the Oldham County Sewer District, a discretely presented component unit, have 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. This is a cost-sharing multiple-employer defined benefit 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. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.19 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 28.21 percent. The county's contribution for FY 2005 was \$684,750, FY 2006 was \$894,101, and FY 2007 was \$1,056,597.

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. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

OLDHAM COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 7. Employee Retirement System (Continued)

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. 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.

Note 8. Deferred Compensation

On February 24, 2000, the Oldham County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

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

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

Note 9. Insurance

For the fiscal year ended June 30, 2007, Oldham County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 10. Fund Balance - Deficit

As of June 30, 2007, the Jail Fund had a deficit balance in the amount of \$30,686. This deficit was due to the timing of transfers of funds. These deficits were eliminated with the deposit of funds after June 30, 2007.

Note 11. Subsequent Events

On November 20, 2007, the Fiscal Court approved an increase in the insurance premium tax that is expected to raise an additional \$1.8 million. The tax increase from 5% to 10% becomes effective on July 1, 2008. Also on November 20, 2007, the Fiscal Court increased the 911 fee fifty cents (.50) for both residential and commercial telephone subscribers. The 911- fee increase is effective immediately.

OLDHAM COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2007

OLDHAM COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2007

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 6,396,000	\$ 6,396,000	\$ 6,591,581	\$ 195,581
In Lieu Taxes Payments	565,000	565,000	565,000	
Excess Fees	75,000	75,000	99,871	24,871
Licenses and Permits	636,000	636,000	491,797	(144,203)
Intergovernmental Revenue	510,000	510,000	449,588	(60,412)
Charges for Services	465,365	465,365	545,537	80,172
Miscellaneous	123,200	123,200	345,402	222,202
Interest	100,000	100,000	196,549	96,549
Total Revenues	<u>8,870,565</u>	<u>8,870,565</u>	<u>9,285,325</u>	<u>414,760</u>
EXPENDITURES				
General Government	2,991,990	2,991,990	2,563,866	428,124
Protection to Persons and Property	3,297,279	3,314,231	3,306,523	7,708
General Health and Sanitation	929,924	999,025	779,606	219,419
Social Services	60,000	10,477		10,477
Recreation and Culture	867,276	884,776	792,654	92,122
Debt Service	596,055	660,555	599,383	61,172
Capital Projects	535,000	464,869	18,899	445,970
Administration	1,474,346	1,371,938	690,993	680,945
Total Expenditures	<u>10,751,870</u>	<u>10,697,861</u>	<u>8,751,924</u>	<u>1,945,937</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(1,881,305)</u>	<u>(1,827,296)</u>	<u>533,401</u>	<u>2,360,697</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds			259,286	259,286
Transfers To Other Funds			<u>(1,403,575)</u>	<u>(1,403,575)</u>
Total Other Financing Sources (Uses)			<u>(1,144,289)</u>	<u>(1,144,289)</u>
Net Changes in Fund Balance	(1,881,305)	(1,827,296)	(610,888)	1,216,408
Fund Balance - Beginning	<u>1,881,305</u>	<u>1,881,305</u>	<u>4,160,454</u>	<u>2,279,149</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 54,009</u>	<u>\$ 3,549,566</u>	<u>\$ 3,495,557</u>

OLDHAM COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2007
(Continued)

	ROAD FUND			
	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 669,500	\$ 669,500	\$ 561,009	\$ (108,491)
Intergovernmental Revenue	1,401,582	1,401,582	1,336,763	(64,819)
Charges for Services			71,469	71,469
Miscellaneous	504,000	504,000	26,882	(477,118)
Interest	62,500	62,500	90,424	27,924
Total Revenues	<u>2,637,582</u>	<u>2,637,582</u>	<u>2,086,547</u>	<u>(551,035)</u>
EXPENDITURES				
Roads	2,835,853	2,827,779	2,623,154	204,625
Administration		74	73	1
Total Expenditures	<u>2,835,853</u>	<u>2,827,853</u>	<u>2,623,227</u>	<u>204,626</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(198,271)</u>	<u>(190,271)</u>	<u>(536,680)</u>	<u>(346,409)</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds			431,631	431,631
Total Other Financing Sources (Uses)			<u>431,631</u>	<u>431,631</u>
Net Changes in Fund Balance	(198,271)	(190,271)	(105,049)	85,222
Fund Balance - Beginning	<u>253,271</u>	<u>253,271</u>	<u>2,315,039</u>	<u>2,061,768</u>
Fund Balance - Ending	<u>\$ 55,000</u>	<u>\$ 63,000</u>	<u>\$ 2,209,990</u>	<u>\$ 2,146,990</u>

OLDHAM COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2007
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 983,715	\$ 983,715	\$ 1,094,804	\$ 111,089
Charges for Services	136,000	136,000	187,803	51,803
Miscellaneous	25,000	25,000	32,239	7,239
Interest			191	191
Total Revenues	<u>1,144,715</u>	<u>1,144,715</u>	<u>1,315,037</u>	<u>170,322</u>
EXPENDITURES				
Protection to Persons and Property	1,650,610	1,650,924	1,639,382	11,542
Administration		15,686	15,665	21
Total Expenditures	<u>1,650,610</u>	<u>1,666,610</u>	<u>1,655,047</u>	<u>11,563</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(505,895)</u>	<u>(521,895)</u>	<u>(340,010)</u>	<u>181,885</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds			330,278	330,278
Transfers To Other Funds			(14,449)	(14,449)
Total Other Financing Sources (Uses)			<u>315,829</u>	<u>315,829</u>
Net Changes in Fund Balance	(505,895)	(521,895)	(24,181)	497,714
Fund Balance - Beginning	<u>505,895</u>	<u>505,895</u>	<u>(6,505)</u>	<u>(512,400)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (16,000)</u>	<u>\$ (30,686)</u>	<u>\$ (14,686)</u>

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OLDHAM COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2007

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

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

The *Statement of Revenues, Expenditures, and Changes in Fund Balance-Modified Cash Basis* differs from the *Budgetary Comparison Schedule* for the General Fund in debt service by \$30,418 due to cost of issuance and contingency fees in connection with refunding bonds. Other financing sources and (uses) is different due to refunding bonds being issued and payment for old bonds.

**OLDHAM COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information**

June 30, 2007

**OLDHAM COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information**

June 30, 2007

	Local Government Economic Assistance Fund	Central Dispatch Fund	Local Emergency Planning Committee Fund	Homeland Security Fund	County Police Accounts Fund	Total Non-Major Governmental Funds
ASSETS						
Cash and Cash Equivalents	\$ 3,644	\$ 12,465	\$ 34	\$ 18,485	\$ 115,197	\$ 149,825
Total Assets	<u>\$ 3,644</u>	<u>\$ 12,465</u>	<u>\$ 34</u>	<u>\$ 18,485</u>	<u>\$ 115,197</u>	<u>\$ 149,825</u>
FUND BALANCES						
Fund Balances:						
Unreserved:						
Special Revenue Funds	\$ 3,644	\$ 12,465	\$ 34	\$ 18,485	\$ 115,197	\$ 149,825
Total Fund Balances	<u>\$ 3,644</u>	<u>\$ 12,465</u>	<u>\$ 34</u>	<u>\$ 18,485</u>	<u>\$ 115,197</u>	<u>\$ 149,825</u>

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OLDHAM COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2007

OLDHAM COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2007

	Local Government Economic Assistance Fund	Central Dispatch Fund	Local Emergency Planning Committee Fund	Homeland Security Fund
REVENUES				
Taxes	\$ 77,375	\$ 620,254	\$	\$
Intergovernmental	788,596			17,909
Miscellaneous	10,000	7,359		
Interest	672	61		
Total Revenues	<u>876,643</u>	<u>627,674</u>		<u>17,909</u>
EXPENDITURES				
Protection to Persons and Property		831,886	570	121,724
General Health and Sanitation	109,653			
Social Services	68,274			
Recreation and Culture	210,769			
Transportation Facilities and Services	18,274			
Bus Services	183,720			
Other Transportation Facilities and Services	232,208			
Capital Projects	48,130			
Administration		4,821		
Total Expenditures	<u>871,028</u>	<u>836,707</u>	<u>570</u>	<u>121,724</u>
Excess (deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>5,615</u>	<u>(209,033)</u>	<u>(570)</u>	<u>(103,815)</u>
Other Financing Sources (Uses)				
Transfers From Other Funds	246,534	201,571		140,203
Transfers To Other Funds	<u>(241,020)</u>			<u>(17,903)</u>
Total Other Financing Sources (Uses)	<u>5,514</u>	<u>201,571</u>		<u>122,300</u>
Net Change in Fund Balances	11,129	(7,462)	(570)	18,485
Fund Balances - Beginning	<u>(7,485)</u>	<u>19,927</u>	<u>604</u>	
Fund Balances - Ending	<u>\$ 3,644</u>	<u>\$ 12,465</u>	<u>\$ 34</u>	<u>\$ 18,485</u>

OLDHAM COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2007
(Continued)

County Police Accounts Fund	Total Non-Major Governmental Funds
\$	\$ 697,629
	806,505
86,841	104,200
1,156	1,889
<u>87,997</u>	<u>1,610,223</u>
	85,881
	1,040,061
	109,653
	68,274
	210,769
	18,274
	183,720
	232,208
	48,130
	4,821
<u>85,881</u>	<u>1,915,910</u>
	2,116
	<u>(305,687)</u>
	67,807
	656,115
	<u>(258,923)</u>
<u>67,807</u>	<u>397,192</u>
	69,923
	91,505
	45,274
	58,320
<u>\$ 115,197</u>	<u>\$ 149,825</u>

OLDHAM COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Other Supplementary Information

Fiscal Year Ended June 30, 2007

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
Cash Programs:		
<u>U.S. Department of the Interior</u>		
Passed Through Governor's Office for Local Development:		
Outdoor Recreation Acquisition, Development and Planning - Conservation Park (CFDA 15.916)	KY 050707-0762	\$ 53,600
<u>U.S. Department of Justice</u>		
Direct Program:		
Drug Enforcement Administration - Reimbursement of Overtime (CFDA 16.N/A)	Not Available	18,709
<u>U.S. Department of Transportation</u>		
Passed-Through Kentucky Transportation Cabinet:		
Highway Planning and Construction- (CFDA 20.205)		
Rail Underpass	05-434	39,671
Highway 53 Access/Congestion Mitigation	C-05103257	888
Bike and Pedestrian Trail	C-06044968	24,143
Transit Express Bus Demonstration	C-05262512	144,934
Local (Section 5311)	KY18X23	6,988
Roundabout Study	Not Available	<u>52,733</u>
Total U.S. Department of Transportation		269,357

OLDHAM COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Other Supplementary Information
Fiscal Year Ended June 30, 2007
(Continued)

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
Passed Through State Department for Environmental Protection:		
Nonpoint Source Implementation Grants (CFDA 66.460)	C-9994861-06	\$ 15,722
<u>U.S. Department of Health and Human Services</u>		
Passed-Through State Department of Health and Family Services:		
Special Programs for the Aging - Title III, Part B- Grants for Supportive Services and Senior Care (CFDA 93.044)	Not Available	11,307
<u>U.S. Department of Homeland Security</u>		
Passed-Through State Department of Homeland Security:		
Homeland Security Grant Program (CFDA 97.067)	P02-094-0600003539	<u>140,901</u>
Total Cash Expenditures of Federal Awards		<u>\$ 509,596</u>

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OLDHAM COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Other Supplementary Information
Fiscal Year Ended June 30, 2007

Note 1 - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Oldham County Fiscal Court and is presented on a modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from the amounts presented in or used in, the preparation of, the basic financial statements.

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



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Duane Murner, Oldham County Judge/Executive
Members of the Oldham County Fiscal Court

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Oldham County, Kentucky, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated December 21, 2007. Oldham County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Other auditors audited the financial statements of the Oldham County Sewer District. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Oldham County Fiscal Court's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Oldham County Fiscal Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Oldham County Fiscal Court's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.



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

Internal Control Over Financial Reporting (Continued)

2007-1 Internal Control Over Payroll Should Be Strengthened

2007-2 Jail Canteen Lacks Adequate Segregation of Duties Over Receipts and Expenditures

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiencies described above to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Oldham County's financial statements are 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.

The Oldham County Judge/Executive's and the County Jailer's responses to the findings identified in our audit are included in the schedule of findings and questioned costs. We did not audit the County Judge/Executive and County Jailer's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management and the Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

December 21, 2007

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Duane Murner, Oldham County Judge/Executive
Members of the Oldham County Fiscal Court

**Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133**

Compliance

We have audited the compliance of Oldham County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. Oldham County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Oldham County's management. Our responsibility is to express an opinion on Oldham County's compliance based on our audit.

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 OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 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 Oldham County'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. Our audit does not provide a legal determination of Oldham County's compliance with those requirements.

In our opinion, Oldham County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Oldham County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Oldham County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Oldham County's internal control over compliance.



Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133
(Continued)

Internal Control Over Compliance (Continued)

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program, will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control 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, as defined above.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

December 21, 2007

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

For The Year Ended June 30, 2007

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

Fiscal Year Ended June 30, 2007

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Oldham County.
2. Two significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditor's Report. The significant deficiencies are also considered to be material weaknesses.
3. No instances of noncompliance material to the financial statements of Oldham County were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal awards programs are reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards programs for Oldham County expresses an unqualified opinion.
6. There are no findings relative to the major federal awards programs for Oldham County reported in Part C of this schedule.
7. The programs tested as major program was: Highway Planning and Construction (CFDA #20.205).
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Oldham County was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

STATE LAWS AND REGULATIONS

None.

INTERNAL CONTROL – MATERIAL WEAKNESSES

2007-1 Internal Control Over Payroll Should Be Strengthened

During our test of payroll, we noted the following:

- Some dispatch employees time cards did not agree with timesheets given to payroll officer. This includes:
 - i. Six instances of the time card not agreeing with timesheet. It appears that more time was included on timesheet than time card.
 - ii. Eleven instances of handwritten notations or no clocking in/out on time cards.
- Two dispatch employees did not have time cards to support their timesheets.
- Seven out of twelve and six out of twelve dispatch employees did not sign their timesheets for two pay periods tested.
- Police do not maintain signed timesheets, but use time summary report signed by Chief of Police.
- The Jail sends the Payroll officer a summary sheet signed only by the Jailer; the employee or a supervisor does not sign time cards kept by deputies.
- Treasurer and Finance Officer do not have timesheets.
- The Police, Jail, and Dispatch each keep track of adjustment time, paid time off and holiday swapping.

OLDHAM COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Supplemental Information
Fiscal Year Ended June 30, 2007
(Continued)

B. FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)

INTERNAL CONTROL – MATERIAL WEAKNESSES (Continued)

2007-1 Internal Control Over Payroll Should Be Strengthened (Continued)

According to the County's administrative code (ordinance 05-200-305), "Employees shall accurately record the time they begin and end their work" and "The Department director will review and then approve the time record before submitting it for payroll processing". According to KRS 337.320, "every employer shall keep a record of the hours worked each day and each week by each employee." Good internal controls dictate all timesheets have supervisory approval, and records of vacation and sick time should be properly maintained.

We recommend the Fiscal Court ensure employees maintain timesheets with proper supervisory approval. Central oversight should be maintained for all payroll records, including paid time off, adjustment time, and holiday swapping. Payroll should not be generated from summary time reports only. Payroll officer needs to verify that summary time reports agree with timesheets/time cards.

County Judge/Executive Duane Murner's Response: The County has chosen to use ADP as the payroll vendor. The new vendor and procedures will be implemented on January 1, 2008, this will address all issues regarding payroll.

2007-2 Jail Canteen Lacks Adequate Segregation of Duties Over Receipts and Expenditures

The bookkeeper makes the deposits, signs most checks, makes entries into the Keefe accounting system, and performs bank reconciliations. The result of one person performing all these duties increases the likelihood that errors or irregularities could occur and go undetected by the internal control system. We recommend the following:

- Two people sign checks with Jailer ideally being one.
- Jailer review and initial bank reconciliation.
- Jailer review and initial monthly reports.

County Jailer Mike Simpson's Response: We agree with recommendation and will change our procedures immediately.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT

None.

D. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None.

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

OLDHAM COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2007**

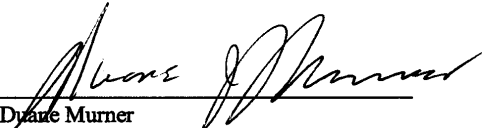
CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

OLDHAM COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2007

The Oldham 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.



Duane Murner
County Judge/Executive



Stan Clack
County Treasurer

