

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

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



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

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

EXECUTIVE SUMMARY
AUDIT OF THE
MCCREARY COUNTY FISCAL COURT

June 30, 2016

The Auditor of Public Accounts has completed the audit of the McCreary County Fiscal Court for the fiscal year ended June 30, 2016.

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

Financial Condition:

The McCreary County Fiscal Court had total receipts of \$7,365,739 and disbursements of \$7,731,548 in fiscal year 2016. This resulted in a total ending fund balance of \$1,179,361, which is a decrease of \$339,902 from the prior year.

Findings:

- 2016-001 The Fiscal Court Did Not Have Proper Purchase And Procurement Procedures
- 2016-002 The Payroll Account Was Not Properly Reconciled
- 2016-003 The Fiscal Court Did Not Have Sufficient Internal Controls Over Payroll
- 2016-004 The Fiscal Court Did Not Have Sufficient Internal Control Procedures Over Credit Card Disbursements
- 2016-005 Penalties And Interest Were Incurred Due To Late Payment Of Invoices
- 2016-006 The Fiscal Court Did Not Comply With The United States Department Of Agriculture (USDA) Grant Agreement
- 2016-007 The Fiscal Court Did Not Maintain Accurate Capital Asset Records
- 2016-008 The Fiscal Court Lacks Segregation Of Duties Over All Accounting Functions
- 2016-009 The Fiscal Court Did Not Have Sufficient Monitoring Or Internal Controls Over The Revolving Loan Program
- 2016-010 Fiscal Court Disbursements Exceeded Budgeted Appropriations

Deposits:

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

CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT.....	1
MCCREARY COUNTY OFFICIALS.....	4
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - REGULATORY BASIS	6
NOTES TO FINANCIAL STATEMENT	11
BUDGETARY COMPARISON SCHEDULES	25
NOTES TO REGULATORY SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULES	38
SCHEDULE OF CAPITAL ASSETS	41
NOTES TO REGULATORY SUPPLEMENTARY INFORMATION - SCHEDULE OF CAPITAL ASSETS	42
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	45
SCHEDULE OF FINDINGS AND RESPONSES	49
APPENDIX A: CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

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

Independent Auditor's Report

Report on the Financial Statement

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

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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



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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Opinion on Regulatory Basis of Accounting

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

Other Matters

Supplementary Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2017 on our consideration of the McCreary County Fiscal Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the McCreary County Fiscal Court's internal control over financial reporting and compliance.

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

- 2016-001 The Fiscal Court Did Not Have Proper Purchase And Procurement Procedures
- 2016-002 The Payroll Account Was Not Properly Reconciled
- 2016-003 The Fiscal Court Did Not Have Sufficient Internal Controls Over Payroll
- 2016-004 The Fiscal Court Did Not Have Sufficient Internal Control Procedures Over Credit Card Disbursements
- 2016-005 Penalties And Interest Were Incurred Due To Late Payment Of Invoices
- 2016-006 The Fiscal Court Did Not Comply With The United States Department Of Agriculture (USDA) Grant Agreement
- 2016-007 The Fiscal Court Did Not Maintain Accurate Capital Asset Records
- 2016-008 The Fiscal Court Lacks Segregation Of Duties Over All Accounting Functions
- 2016-009 The Fiscal Court Did Not Have Sufficient Monitoring Or Internal Controls Over The Revolving Loan Program
- 2016-010 Fiscal Court Disbursements Exceeded Budgeted Appropriations

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

March 2, 2017

MCCREARY COUNTY OFFICIALS

For The Year Ended June 30, 2016

Fiscal Court Members:

Douglas Stephens	County Judge/Executive
Oscar Perry	Magistrate
Roger Phillips	Magistrate
Jason Mann	Magistrate
Dustin Baird	Magistrate

Other Elected Officials:

Conley D. Chaney	County Attorney
Jessie Hatfield	Jailer
Eric Haynes	County Clerk
Othel King	Circuit Court Clerk
Randy Waters	Sheriff
Bruce Lominac	Property Valuation Administrator
Tim Corder	Coroner

Appointed Personnel:

Mark Sewell	County Treasurer
Randy Jones	Chief Financial Officer

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

For The Year Ended June 30, 2016

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

For The Year Ended June 30, 2016

	Budgeted Funds			
	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund
RECEIPTS				
Taxes	\$ 618,719	\$	\$	\$
In Lieu Tax Payments	323,131	343,922		
Excess Fees	23,295			
Licenses and Permits	41,614			
Intergovernmental	226,515	1,973,765	101,771	140,506
Charges for Services	1,148,906			
Miscellaneous	73,026	94,926	25,377	
Interest	255	752	28	307
Total Receipts	<u>2,455,461</u>	<u>2,413,365</u>	<u>127,176</u>	<u>140,813</u>
DISBURSEMENTS				
General Government	728,193			
Protection to Persons and Property	1,020,630		835,067	
General Health and Sanitation	56,734			
Recreation and Culture	41,905			
Roads		1,701,803		220,479
Road Facilities		128,440		
Debt Service	84,297	15,653		
Capital Projects				
Administration	855,541	618,373	46,605	
Total Disbursements	<u>2,787,300</u>	<u>2,464,269</u>	<u>881,672</u>	<u>220,479</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(331,839)</u>	<u>(50,904)</u>	<u>(754,496)</u>	<u>(79,666)</u>
Other Adjustments to Cash (Uses)				
Payroll Revolving Account	25,907			
Transfers From Other Funds	1,500,191	245,000	764,450	
Transfers To Other Funds	(1,234,952)	(458,260)		
Total Other Adjustments to Cash (Uses)	<u>291,146</u>	<u>(213,260)</u>	<u>764,450</u>	
Net Change in Fund Balance	(40,693)	(264,164)	9,954	(79,666)
Fund Balance - Beginning (Restated)	134,079	668,368	5,000	255,168
Fund Balance - Ending	<u>\$ 93,386</u>	<u>\$ 404,204</u>	<u>\$ 14,954</u>	<u>\$ 175,502</u>
Composition of Fund Balance				
Bank Balance	\$ 87,142	\$ 407,354	\$ 58,446	\$ 175,502
Payroll Revolving Account Balance	25,907			
Plus: Deposits In Transit				
Less: Outstanding Checks	<u>(19,663)</u>	<u>(3,150)</u>	<u>(43,492)</u>	
Fund Balance - Ending	<u>\$ 93,386</u>	<u>\$ 404,204</u>	<u>\$ 14,954</u>	<u>\$ 175,502</u>

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

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

Budgeted Funds						
Ambulance Equipment Fund	Solid Waste Fund	Park Fund	Occupational Tax Fund	Grant Fund	Emergency Dispatch Fund	Disaster Assistance Fund
\$	\$	\$	\$ 1,135,463	\$	\$ 131,614	\$
	56,910					
	33,899			108,999	200,386	
		21,341				
8,146	15,581	4,974			19,850	
52			69	21	32	17
<u>8,198</u>	<u>106,390</u>	<u>26,315</u>	<u>1,135,532</u>	<u>109,020</u>	<u>351,882</u>	<u>17</u>
8,146						
				120,938	362,734	
	74,030					
		55,357		10,551		
			51,958		10,862	
					33,603	
	30,870	27,702			107,751	
<u>8,146</u>	<u>104,900</u>	<u>135,017</u>		<u>131,489</u>	<u>514,950</u>	
52	1,490	(108,702)	1,135,532	(22,469)	(163,068)	17
40,000	8,761	105,273		39,000	159,174	
(39,000)			(1,128,530)			(13,207)
<u>1,000</u>	<u>8,761</u>	<u>105,273</u>	<u>(1,128,530)</u>	<u>39,000</u>	<u>159,174</u>	<u>(13,207)</u>
1,052	10,251	(3,429)	7,002	16,531	(3,894)	(13,190)
35,073	49,403	4,696	35,536	23,305	4,771	13,190
<u>\$ 36,125</u>	<u>\$ 59,654</u>	<u>\$ 1,267</u>	<u>\$ 42,538</u>	<u>\$ 39,836</u>	<u>\$ 877</u>	<u>\$ 0</u>
\$ 36,125	\$ 59,954	\$ 1,065	\$ 42,538	\$ 39,836	\$ 987	\$
		275				
	(300)	(73)			(110)	
<u>\$ 36,125</u>	<u>\$ 59,654</u>	<u>\$ 1,267</u>	<u>\$ 42,538</u>	<u>\$ 39,836</u>	<u>\$ 877</u>	<u>\$ 0</u>

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

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

	<u>Budgeted Funds</u>		<u>Unbudgeted Funds</u>	
	<u>Revolving Loan Fund</u>	<u>Economic Development Fund</u>	<u>Park Dedicated Fund</u>	<u>Ambulance Service Teaching Instructional Fund</u>
RECEIPTS				
Taxes	\$	\$ 18,855	\$	\$
In Lieu Tax Payments				
Excess Fees				
Licenses and Permits				
Intergovernmental		27,825		
Charges for Services				200
Miscellaneous	18,104	965		
Interest	97		347	
Total Receipts	<u>18,201</u>	<u>47,645</u>	<u>347</u>	<u>200</u>
DISBURSEMENTS				
General Government		42,343		
Protection to Persons and Property				2,764
General Health and Sanitation				
Recreation and Culture			10,842	
Roads				
Road Facilities				
Debt Service				
Capital Projects				
Administration		2,850		
Total Disbursements		<u>45,193</u>	<u>10,842</u>	<u>2,764</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>18,201</u>	<u>2,452</u>	<u>(10,495)</u>	<u>(2,564)</u>
Other Adjustments to Cash (Uses)				
Payroll Revolving Account				
Transfers From Other Funds		12,100		
Transfers To Other Funds				
Total Other Adjustments to Cash (Uses)		<u>12,100</u>		
Net Change in Fund Balance	18,201	14,552	(10,495)	(2,564)
Fund Balance - Beginning (Restated)	54,990	1,000	230,619	2,564
Fund Balance - Ending	<u>\$ 73,191</u>	<u>\$ 15,552</u>	<u>\$ 220,124</u>	<u>\$ 0</u>
Composition of Fund Balance				
Bank Balance	\$ 73,191	\$ 15,552	\$ 220,124	\$
Payroll Revolving Account Balance				
Deposits In Transit				
Less Outstanding Checks				
Ending Fund Balance	<u>\$ 73,191</u>	<u>\$ 15,552</u>	<u>\$ 220,124</u>	<u>\$ 0</u>

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

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

<u>Unbudgeted Funds</u>		
<u>Ten Commandments Fund</u>	<u>McCreary County Courthouse And Public Square Corporation Fund</u>	<u>Total Funds</u>
\$	\$	\$ 1,904,651
		667,053
		23,295
		98,524
	424,527	3,238,193
		1,170,447
650		261,599
		1,977
<u>650</u>	<u>424,527</u>	<u>7,365,739</u>
		778,682
		2,342,133
		130,764
		118,655
		1,922,282
		128,440
	424,527	587,297
		33,603
		1,689,692
	<u>424,527</u>	<u>7,731,548</u>
<u>650</u>		<u>(365,809)</u>
		25,907
		2,873,949
		<u>(2,873,949)</u>
		25,907
650		(339,902)
1,401	100	1,519,263
<u>\$ 2,051</u>	<u>\$ 100</u>	<u>\$ 1,179,361</u>
\$ 2,051	\$ 100	\$ 1,219,967
		25,907
		275
		<u>(66,788)</u>
<u>\$ 2,051</u>	<u>\$ 100</u>	<u>\$ 1,179,361</u>

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

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENT**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	11
NOTE 2.	DEPOSITS.....	14
NOTE 3.	TRANSFERS.....	15
NOTE 4.	AGENCY TRUST FUNDS.....	15
NOTE 5.	OPERATING LEASES	16
NOTE 6.	NOTES RECEIVABLE.....	16
NOTE 7.	LONG-TERM DEBT.....	16
NOTE 8.	EMPLOYEE RETIREMENT SYSTEM.....	20
NOTE 9.	FLEXIBLE SPENDING ACCOUNT	21
NOTE 10.	INSURANCE.....	21
NOTE 11.	PAYROLL REVOLVING ACCOUNT.....	21
NOTE 12.	PRIOR PERIOD ADJUSTMENTS	21
NOTE 13.	RELATED PARTY TRANSACTIONS	22

MCCREARY COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2016

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

B. Basis of Accounting

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

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

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

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

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

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

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

Ambulance Equipment Fund - The primary purpose of this fund is to account for the purchase of new ambulance equipment. The primary source of receipts for this fund is state grants.

Solid Waste Fund - The primary purpose of this fund is to account for the county's solid waste programs including recycling, tire recycling, litter abatement, and general operation and enforcement of solid waste laws and programs in the county. The primary sources of receipts for this fund are derived from franchise fees paid to the county and state grants.

Park Fund - The primary purpose of this fund is to account for the operation of the county park and the 4H camp. The primary sources of receipts for this fund are transfers from the general fund, and facility rentals.

Occupational Tax Fund - The primary purpose of this fund is to account for the collection of occupational taxes. The primary sources of receipts for this fund are occupational employment tax and net profit tax.

Grant Fund - The primary purpose of this fund is to manage state and federal grants received by the county. The primary sources of receipts for this fund are state and federal grants.

Emergency Dispatch Fund - The primary purpose of this fund is to account for the county's emergency dispatch center operations within the local office of emergency management. The primary sources of receipts for this fund are phone surcharges and wireless surcharges.

Disaster Assistance Fund - The primary purpose of this fund is to account for the expense of emergencies and disasters in the county. The primary source of receipts for this fund is transfers from the general fund.

Revolving Loan Fund - The primary purpose of this fund is to account for the county small business revolving loan program. The primary source of receipts for this fund is the payments on the loans.

Economic Development Fund - The primary purpose of this fund is to account for economic development and tourism offices. The primary source of receipts for this fund is occupational tax.

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

Park Dedicated Fund - The primary purpose of this fund is to account for the activity as a result of an ongoing environmental issue that occurred during construction of the county park. The contractor performed outside his scope of work causing a sediment breach which resulted in the “take” of a habitat of an endangered fish. As a result, the Kentucky Division of Water and Fish and Wildlife Services became involved with the project, causing fines and mitigation work on the site. The contractor was owed \$230,000 in order to complete his contract, so these funds were set aside until the project is given environmental clearance and costs of the contractor’s action to the county are determined.

Ambulance Service Teaching Instructional Fund - The primary purpose of this fund is to account for emergency services instructional classes taught by an employee of the county. The primary source of receipts for this fund is the collection of fees charged for these classes.

Ten Commandments Fund - The primary purpose of this fund is to account for the cost of legal defense regarding the Supreme Court case involving the county publicly posting the Ten Commandments. The primary source of receipts for this fund is the collection of private donations.

McCreary County Courthouse and Public Square 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.

D. Budgetary Information

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

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

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

The State Local Finance Officer does not require the McCreary County Courthouse and Public Square Corporation Fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually.

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

Note 1. Summary of Significant Accounting Policies (Continued)

E. McCreary County Elected Officials

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

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

F. Deposits and Investments

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

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

G. Long-term Obligations

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

Note 2. Deposits

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

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

Note 2. Deposits (Continued)

Custodial Credit Risk - Deposits

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

Note 3. Transfers

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

	General Fund	Road Fund	Ambulance Equipment Fund	Occupational Tax Fund	Disaster Assistance Fund	Total Transfers In
General Fund	\$	\$371,661	\$	\$1,128,530	\$	\$1,500,191
Road Fund	245,000					245,000
Jail Fund	750,850	13,600				764,450
Ambulance Equipment Fund	40,000					40,000
Solid Waste Fund		8,761				8,761
Park Fund	97,001	8,272				105,273
Grant Fund			39,000			39,000
Emergency Dispatch Fund	90,001	55,966			13,207	159,174
Economic Development Fund	12,100					12,100
Total Transfers Out	<u>\$1,234,952</u>	<u>\$458,260</u>	<u>\$ 39,000</u>	<u>\$1,128,530</u>	<u>\$ 13,207</u>	<u>\$2,873,949</u>

Reason for transfers:

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

Note 4. Agency Trust Funds

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

The fiscal court has the following agency trust fund:

Jail Commissary Fund - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2016 was \$807. The fiscal court closed the jail commissary fund during fiscal year ending June 30, 2013. The remaining funds are amounts due to prior inmates.

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

Note 5. Operating Leases

The fiscal court entered into various lease agreements for copying machines to be used by various county departments. In fiscal year 2015, the fiscal court re-negotiated those leases with one company buying out the balance of the contracts. The future minimum lease payments for that lease are as follows:

Fiscal Year Ended June 30	Amount
2017	\$ 9,661
2018	9,661
2019	9,661
2020	1,610
Total Minimum Lease Payments	<u>\$ 30,593</u>

Note 6. Notes Receivable

In 1994, McCreary County, in cooperation with Scott County, Tennessee, formed the Rural Enterprise Community known as the Scott-McCreary Area Revitalization Team (SMART) for the purpose of increasing economic development in these two counties. As part of this effort, SMART-approved low interest rate loans were made available to eligible businesses from Enterprise Community Program funds, which were passed through to the county from the U.S. Department of Health and Human Services. In 1998, the county was also awarded Rural Business Enterprise Grants (RBEG) for Smart-Approved low interest rate loans to eligible businesses, which were passed through the U.S. Department of Agriculture. The most recent grant awarded from the USDA was during fiscal year 2013 in the amount of \$75,000.

Once grant funds are repaid from a borrower, the repaid principal and interest will be used to make additional loans as specified in the loan guidelines. The balance of both the SMART and RBEG receivables due as of June 30, 2016, is \$942,045.

Note 7. Long-term Debt

A. First Mortgage Refunding Revenue Bonds (County Facilities Project), Series 2009

On November 1, 1999, the McCreary County Courthouse and Public Square Corporation, Administrative Office of the Courts (AOC), and the county entered into a lease agreement for the purpose of constructing the Justice Center, which is attached to the courthouse and obtained rental space for the AOC at the Justice Center. In November of 1999, the McCreary County Courthouse and Public Square Corporation issued 1999A First Mortgage Revenue Bonds in the amount of \$5,205,000 in order to construct the McCreary County Justice Center.

The McCreary County Courthouse and Public Square Corporation designated the county to act as its agent in order to plan, design, construct, manage, and maintain the Justice Center. The McCreary County Courthouse and Public Square Corporation expect annual rentals from the AOC for use of the Justice Center to be in the full amount of the annual principal and interest requirements of the bonds. Under terms of the lease, the AOC has agreed to pay directly to the paying agent bank the use allowances payments as provided in the lease. The lease agreement is renewable each year. The McCreary County Courthouse and Public Square Corporation are dependent upon the use of allowance payment in order to meet the debt service for the bonds.

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

Note 7. Long-term Debt (Continued)

A. First Mortgage Refunding Revenue Bonds (County Facilities Project), Series 2009 (Continued)

The use allowance payment commences with occupancy of the Justice Center by the AOC. The AOC with the execution of the lease has expressed its intention to continue to pay the full use allowance payment in each successive biennial budget period until September 1, 2020, but the lease does not legally obligate the AOC to do so.

In July 2009, the McCreary County Fiscal Court retired the 1999A and 2001B series bonds by the issuance of Series 2009 refunding bonds in the amount of \$3,515,000. This refunding resulted in an average interest rate reduction of 1.77 percent and estimated present value savings amount of \$150,915.

The principal balance as of June 30, 2016 is \$1,645,000. The future debt service requirements for the 2009 First Mortgage Refunding Revenue Bonds are presented as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2017	\$ 375,000	\$ 48,975
2018	385,000	37,575
2019	395,000	25,480
2020	415,000	12,105
2021	50,000	4,100
2022	25,000	475
Totals	<u>\$ 1,645,000</u>	<u>\$ 128,710</u>

B. Courthouse Renovations

On June 26, 2013, the McCreary County Fiscal Court issued \$246,320 for the purpose of paying off McCreary Co, KY (ADA) KADDFT Lease Acquisition Program 2001 Series B 59517. The debt requires semi-annual interest payments due on October 1 and April 1. The debt will mature on October 1, 2021. The principal balance as of June 30, 2016 was \$174,366. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2017	\$ 25,172	\$ 1,835
2018	29,542	3,307
2019	28,794	2,589
2020	28,003	1,891
2021	32,075	1,152
2022	30,780	379
Totals	<u>\$ 174,366</u>	<u>\$ 11,153</u>

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

Note 7. Long-term Debt (Continued)

C. Asphalt Truck

On July 21, 2008, the McCreary County Fiscal Court entered into a 10-year financing obligation with KACo Leasing Trust for the purchase of an asphalt truck. Principal and interest payments are due monthly by the 20th day of the month. The principal balance as of June 30, 2016 was \$28,374. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2017	\$ 13,325	\$ 1,130
2018	13,868	593
2019	1,181	24
Totals	<u>\$ 28,374</u>	<u>\$ 1,747</u>

D. Economic Development Loan

In September 2009, McCreary County Fiscal Court obtained a Rural Economic Development Finance Agreement for the construction of a multi-generational use building. The total amount financed was \$500,000 over a 10 year period. The agreement requires an annual service fee with a zero rate of interest and payments of \$4,167 due the first day of each month. The principal balance as of June 30, 2016 was \$162,500. Future principal and service fee requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2017	\$ 50,000	\$ 1,458
2018	50,000	958
2019	50,000	458
2020	12,500	
Totals	<u>\$ 162,500</u>	<u>\$ 2,874</u>

E. Ten Commandments Lawsuit General Obligation Notes Series 2011

In December 2011, the McCreary County Fiscal Court entered a note agreement with a local bank to pay settlement to the American Civil Liberties Union for posting the Ten Commandments in the McCreary County Courthouse. The total amount financed was \$236,907 at a fixed rate of 3.50% with payments to be made quarterly until December 2016. The principal balance as of June 30, 2016 was \$25,591. Future principal and interest requirements are as follows:

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

Note 7. Long-term Debt (Continued)

E. Ten Commandments Lawsuit General Obligation Notes Series 2011 (Continued)

Fiscal Year Ending June 30	Principal	Scheduled Interest
2017	\$ 25,591	\$ 338
Totals	<u>\$ 25,591</u>	<u>\$ 338</u>

F. 911 Remodel

On February 6, 2015, the McCreary County Fiscal Court entered into a financing obligation with KACo Leasing Trust for the purpose of remodeling part of the Emergency Medical Services building to house the 911 dispatch center. The principal was \$50,000 at an effective interest rate of 3.25 percent for a period of five years, with principal due annually and interest paid monthly. The principal balance as of June 30, 2016 was \$37,497. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2017	\$ 9,788	\$ 1,074
2018	10,111	751
2019	10,444	417
2020	<u>7,154</u>	<u>87</u>
Totals	<u>\$ 37,497</u>	<u>\$ 2,329</u>

G. Changes In Long Term Debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds	\$ 2,010,000	\$	\$ 365,000	\$ 1,645,000	\$ 375,000
Capital Leases	212,500		50,000	162,500	50,000
Financing Obligations	<u>363,657</u>		<u>97,828</u>	<u>265,828</u>	<u>73,876</u>
Total Long-term Debt	<u>\$ 2,586,157</u>	<u>\$ 0</u>	<u>\$ 512,828</u>	<u>\$ 2,073,328</u>	<u>\$ 498,876</u>

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

Note 8. Employee Retirement System

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

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

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

The county's contribution for FY 2014 was \$311,623, FY 2015 was \$282,528, and FY 2016 was \$274,726.

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

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

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

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

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

Note 8. Employee Retirement System (Continued)

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

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

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

Note 9. Flexible Spending Account

The McCreary County Fiscal Court established a flexible spending account in 2010 to provide employees an additional health benefit. The county has contracted with a third-party administrator to administer the plan. The plan provides a debit card to each eligible employee providing \$2,150 each year to pay for qualified medical expenses. Employees may also contribute additional pre-tax funds through payroll deduction.

Note 10. Insurance

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

Note 11. Payroll Revolving Account

The reconciled balance of the payroll revolving account as of June 30, 2016 was added to the general fund cash balance for financial reporting purposes.

Note 12. Prior Period Adjustments

The treasurer voided prior year outstanding checks for being outstanding for more than one year. This resulted in an increase to the beginning balance of the general fund by \$95, the road fund by \$66, the jail fund by \$1,903, and the park fund by \$4,481.

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

Note 13. Related Party Transactions

In 1994, McCreary County, in cooperation with Scott County, Tennessee, formed the Rural Enterprise Community known as the Scott-McCreary Area Revitalization Team (SMART) for the purpose of increasing economic development in these two counties. As a part of this effort, SMART-approved low interest rate loans were made available to eligible businesses from Enterprise Community Program funds, which were passed through to the county from the U.S. Department of Health and Human Services. In 1998, the county was also awarded Rural Business Enterprise Grants (RBEG) for SMART-approved low interest rate loans to eligible businesses, which were passed through the U.S. Department of Agriculture. The program has awarded 34 loans totaling \$1,586,345 over the program's existence. Four of the loans were to related parties as listed below:

<u>Nature of the Relationship</u>	<u>Amount of the Loan to Related Party</u>	<u>Disposition of the Loan</u>
Borrower was related to the President of the Loan Board	\$50,000 loan in November 2006	Filed bankruptcy January 20, 2010
*McCreary County Fiscal Court Deputy Judge/Executive and wife	\$15,000 loan in January 2008	Two payments received in FY 2016; Note interest rate - six percent
President of the Loan Board	\$60,268 loan in November 2009	Twelve payments in FY 2016; Note interest rate - three percent
*Mother-In-Law to the McCreary County Deputy Judge/Executive	\$75,000 loan in September 2011	Two payments received in FY 2016; Note interest rate - three percent

*These loans have been turned over to the McCreary County Attorney for collection.

MCCREARY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2016

MCCREARY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2016

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 586,250	\$ 659,736	\$ 618,719	\$ (41,017)
In Lieu Tax Payments	315,000	315,000	323,131	8,131
Excess Fees	18,500	28,500	23,295	(5,205)
Licenses and Permits	38,250	39,000	41,614	2,614
Intergovernmental	135,250	238,890	226,515	(12,375)
Charges for Services	1,100,000	1,100,000	1,148,906	48,906
Miscellaneous	116,500	167,200	73,026	(94,174)
Interest	500	500	255	(245)
Total Receipts	<u>2,310,250</u>	<u>2,548,826</u>	<u>2,455,461</u>	<u>(93,365)</u>
DISBURSEMENTS				
General Government	753,060	766,531	728,193	38,338
Protection to Persons and Property	963,150	1,067,045	1,020,630	46,415
General Health and Sanitation	60,788	61,402	56,734	4,668
Recreation and Culture	46,500	44,405	41,905	2,500
Debt Service	83,360	87,799	84,297	3,502
Administration	894,649	932,449	855,541	76,908
Total Disbursements	<u>2,801,507</u>	<u>2,959,631</u>	<u>2,787,300</u>	<u>172,331</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(491,257)</u>	<u>(410,805)</u>	<u>(331,839)</u>	<u>78,966</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,206,214	1,206,214	1,500,191	293,977
Transfers To Other Funds	<u>(950,000)</u>	<u>(1,033,197)</u>	<u>(1,234,952)</u>	<u>(201,755)</u>
Total Other Adjustments to Cash (Uses)	<u>256,214</u>	<u>173,017</u>	<u>265,239</u>	<u>92,222</u>
Net Change in Fund Balance	(235,043)	(237,788)	(66,600)	171,188
Fund Balance Beginning - Restated	<u>200,000</u>	<u>200,000</u>	<u>134,079</u>	<u>(65,921)</u>
Fund Balance - Ending	<u>\$ (35,043)</u>	<u>\$ (37,788)</u>	<u>\$ 67,479</u>	<u>\$ 105,267</u>

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

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
In Lieu Tax Payments	\$ 300,000	\$ 344,000	\$ 343,922	\$ (78)
Intergovernmental	1,519,372	1,768,758	1,973,765	205,007
Miscellaneous	112,000	112,000	94,926	(17,074)
Interest	1,000	1,000	752	(248)
Total Receipts	<u>1,932,372</u>	<u>2,225,758</u>	<u>2,413,365</u>	<u>187,607</u>
DISBURSEMENTS				
Roads	1,378,172	1,701,817	1,701,803	14
Road Facilities	221,000	128,530	128,440	90
Debt Service	14,500	15,849	15,653	196
Administration	465,486	618,394	618,373	21
Total Disbursements	<u>2,079,158</u>	<u>2,464,590</u>	<u>2,464,269</u>	<u>321</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(146,786)</u>	<u>(238,832)</u>	<u>(50,904)</u>	<u>187,928</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			245,000	245,000
Transfers To Other Funds	(205,714)	(205,714)	(458,260)	(252,546)
Total Other Adjustments to Cash (Uses)	<u>(205,714)</u>	<u>(205,714)</u>	<u>(213,260)</u>	<u>(7,546)</u>
Net Change in Fund Balance	(352,500)	(444,546)	(264,164)	180,382
Fund Balance Beginning - Restated	<u>350,000</u>	<u>350,000</u>	<u>668,368</u>	<u>318,368</u>
Fund Balance - Ending	<u>\$ (2,500)</u>	<u>\$ (94,546)</u>	<u>\$ 404,204</u>	<u>\$ 498,750</u>

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

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 112,000	\$ 118,000	\$ 101,771	\$ (16,229)
Charges for Services	1,500	1,500		(1,500)
Miscellaneous	23,500	26,200	25,377	(823)
Interest	100	100	28	(72)
Total Receipts	<u>137,100</u>	<u>145,800</u>	<u>127,176</u>	<u>(18,624)</u>
DISBURSEMENTS				
Protection to Persons and Property	689,750	911,490	835,067	76,423
Administration	57,350	48,055	46,605	1,450
Total Disbursements	<u>689,750</u>	<u>911,490</u>	<u>881,672</u>	<u>76,423</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(552,650)</u>	<u>(765,690)</u>	<u>(754,496)</u>	<u>57,799</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>600,000</u>	<u>788,974</u>	<u>764,450</u>	<u>(24,524)</u>
Total Other Adjustments to Cash (Uses)	<u>600,000</u>	<u>788,974</u>	<u>764,450</u>	<u>(24,524)</u>
Net Change in Fund Balance	47,350	23,284	9,954	(13,330)
Fund Balance Beginning - Restated	<u>10,000</u>	<u>10,000</u>	<u>5,000</u>	<u>(5,000)</u>
Fund Balance - Ending	<u>\$ 57,350</u>	<u>\$ 33,284</u>	<u>\$ 14,954</u>	<u>\$ (18,330)</u>

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

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 125,000	\$ 143,500	\$ 140,506	\$ (2,994)
Miscellaneous	1,500	1,500		(1,500)
Interest	100	300	307	7
Total Receipts	126,600	145,300	140,813	(4,487)
DISBURSEMENTS				
Roads	150,600	220,479	220,479	
Debt Service	58,500	58,500		58,500
Administration	132,500	81,321		81,321
Total Disbursements	341,600	360,300	220,479	139,821
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(215,000)	(215,000)	(79,666)	135,334
Fund Balance - Beginning	215,000	215,000	255,168	40,168
Fund Balance - Ending	\$ 0	\$ 0	\$ 175,502	\$ 175,502

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

AMBULANCE EQUIPMENT FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
	RECEIPTS			
Miscellaneous	\$	\$ 8,200	\$ 8,146	\$ (54)
Interest	500	500	52	(448)
Total Receipts	500	8,700	8,198	(502)
DISBURSEMENTS				
Protection to Persons and Property	80,000	49,200	8,146	41,054
Administration	500	500		500
Total Disbursements	80,500	49,700	8,146	41,554
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(80,000)	(41,000)	52	41,052
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	50,000	50,000	40,000	(10,000)
Transfers To Other Funds			(39,000)	(39,000)
Total Other Adjustments to Cash (Uses)	50,000	50,000	1,000	(49,000)
Net Change in Fund Balance	(30,000)	9,000	1,052	(7,948)
Fund Balance Beginning	30,000	30,000	35,073	5,073
Fund Balance - Ending	\$ 0	\$ 39,000	\$ 36,125	\$ (2,875)

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

	SOLD WASTE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Licenses and Permits	\$ 50,000	\$ 50,000	\$ 56,910	\$ 6,910
Intergovernmental	49,000	49,000	33,899	(15,101)
Miscellaneous	12,500	15,860	15,581	(279)
Interest	100	100		(100)
Total Receipts	<u>111,600</u>	<u>114,960</u>	<u>106,390</u>	<u>(8,570)</u>
DISBURSEMENTS				
General Health and Sanitation	90,753	94,113	74,030	20,083
Administration	45,847	45,847	30,870	14,977
Total Disbursements	<u>136,600</u>	<u>139,960</u>	<u>104,900</u>	<u>35,060</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(25,000)</u>	<u>(25,000)</u>	<u>1,490</u>	<u>26,490</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u></u>	<u></u>	<u>8,761</u>	<u>8,761</u>
Total Other Adjustments to Cash (Uses)	<u></u>	<u></u>	<u>8,761</u>	<u>8,761</u>
Net Change in Fund Balance	(25,000)	(25,000)	10,251	35,251
Fund Balance Beginning	<u>25,000</u>	<u>25,000</u>	<u>49,403</u>	<u>24,403</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 59,654</u>	<u>\$ 59,654</u>

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

	PARK FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Charges for Services	\$ 18,500	\$ 21,500	\$ 21,341	\$ (159)
Miscellaneous	7,500	8,100	4,974	(3,126)
Interest	500	500		(500)
Total Receipts	<u>26,500</u>	<u>30,100</u>	<u>26,315</u>	<u>(3,785)</u>
DISBURSEMENTS				
Recreation and Culture	70,500	74,100	55,357	18,743
Debt Service	282,000	104,057	51,958	52,099
Administration	29,000	29,000	27,702	1,298
Total Disbursements	<u>381,500</u>	<u>207,157</u>	<u>135,017</u>	<u>72,140</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(355,000)</u>	<u>(177,057)</u>	<u>(108,702)</u>	<u>68,355</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	125,000	125,000	105,273	(19,727)
Total Other Adjustments to Cash (Uses)	<u>125,000</u>	<u>125,000</u>	<u>105,273</u>	<u>(19,727)</u>
Net Change in Fund Balance	(230,000)	(52,057)	(3,429)	48,628
Fund Balance Beginning - Restated	<u>230,000</u>	<u>230,000</u>	<u>4,696</u>	<u>(225,304)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,267</u>	<u>\$ (176,676)</u>

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

OCCUPATIONAL TAX FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
	RECEIPTS			
Taxes	\$ 1,000,000	\$ 1,105,777	\$ 1,135,463	\$ 29,686
Interest	500	500	69	(431)
Total Receipts	<u>1,000,500</u>	<u>1,106,277</u>	<u>1,135,532</u>	<u>29,255</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	(1,000,500)	(1,106,277)	(1,128,530)	(22,253)
Total Other Adjustments to Cash (Uses)	<u>(1,000,500)</u>	<u>(1,106,277)</u>	<u>(1,128,530)</u>	<u>(22,253)</u>
Net Change in Fund Balance			7,002	7,002
Fund Balance Beginning			<u>35,536</u>	<u>35,536</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 42,538</u>	<u>\$ 42,538</u>

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

	GRANT FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 80,500	\$ 168,999	\$ 108,999	\$ (60,000)
Interest			21	21
Total Receipts	<u>80,500</u>	<u>168,999</u>	<u>109,020</u>	<u>(59,979)</u>
DISBURSEMENTS				
Protection to Persons and Property	35,500	124,500	120,938	3,562
Recreation and Culture	45,000	83,499	10,551	72,948
Total Disbursements	<u>80,500</u>	<u>207,999</u>	<u>131,489</u>	<u>76,510</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		<u>(39,000)</u>	<u>(22,469)</u>	<u>16,531</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			<u>39,000</u>	<u>39,000</u>
Total Other Adjustments to Cash (Uses)			<u>39,000</u>	<u>39,000</u>
Net Change in Fund Balance		(39,000)	16,531	55,531
Fund Balance Beginning			<u>23,305</u>	<u>23,305</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 39,836</u>	<u>\$ 78,836</u>

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

EMERGENCY DISPATCH FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 135,000	\$ 135,000	\$ 131,614	\$ (3,386)
Intergovernmental	125,000	202,625	200,386	(2,239)
Miscellaneous	11,000	16,100	19,850	3,750
Interest	100	100	32	(68)
Total Receipts	271,100	353,825	351,882	(1,943)
DISBURSEMENTS				
Protection to Persons and Property	247,445	280,010	362,734	(82,724)
Debt Service	10,873	10,862	10,862	
Capital Projects		33,603	33,603	
Administration	102,782	107,751	107,751	
Total Disbursements	361,100	432,226	514,950	(82,724)
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(90,000)	(78,401)	(163,068)	(84,667)
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	80,000	80,000	159,174	79,174
Total Other Adjustments to Cash (Uses)	80,000	80,000	159,174	79,174
Net Change in Fund Balance	(10,000)	1,599	(3,894)	(5,493)
Fund Balance Beginning	10,000	10,000	4,771	(5,229)
Fund Balance - Ending	\$ 0	\$ 0	\$ 877	\$ (10,722)

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

DISASTER ASSISTANCE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Interest	\$ 250	\$ 250	\$ 17	\$ (233)
Total Receipts	<u>250</u>	<u>250</u>	<u>17</u>	<u>(233)</u>
DISBURSEMENTS				
Administration	13,750	13,750		13,750
Total Disbursements	<u>13,750</u>	<u>13,750</u>		<u>13,750</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(13,500)</u>	<u>(13,500)</u>	<u>17</u>	<u>13,517</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	-		(13,207)	(13,207)
Total Other Adjustments to Cash (Uses)			<u>(13,207)</u>	<u>(13,207)</u>
Net Change in Fund Balance	(13,500)	(13,500)	(13,190)	310
Fund Balance Beginning	<u>13,500</u>	<u>13,500</u>	<u>13,190</u>	<u>(310)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

	REVOLVING LOAN FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$ 20,000	\$ 20,000	\$ 18,104	\$ (1,896)
Interest	500	500	97	(403)
Total Receipts	<u>20,500</u>	<u>20,500</u>	<u>18,201</u>	<u>(2,299)</u>
DISBURSEMENTS				
Administration	68,000	68,000		68,000
Total Disbursements	<u>68,000</u>	<u>68,000</u>		<u>68,000</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(47,500)</u>	<u>(47,500)</u>	18,201	65,701
Net Change in Fund Balance	(47,500)	(47,500)	18,201	65,701
Fund Balance Beginning	<u>47,500</u>	<u>47,500</u>	<u>54,990</u>	<u>7,490</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 73,191</u>	<u>\$ 73,191</u>

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

ECONOMIC DEVELOPMENT FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 15,000	\$ 16,000	\$ 18,855	\$ 2,855
Intergovernmental	15,000	28,000	27,825	(175)
Miscellaneous	3,250	3,250	965	(2,285)
Interest	500	500		(500)
Total Receipts	<u>33,750</u>	<u>47,750</u>	<u>47,645</u>	<u>(105)</u>
DISBURSEMENTS				
General Government	106,292	120,292	42,343	77,949
Administration	23,458	23,458	2,850	20,608
Total Disbursements	<u>129,750</u>	<u>143,750</u>	<u>45,193</u>	<u>98,557</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(96,000)</u>	<u>(96,000)</u>	<u>2,452</u>	<u>98,452</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>95,000</u>	<u>95,000</u>	<u>12,100</u>	<u>(82,900)</u>
Total Other Adjustments to Cash (Uses)	<u>95,000</u>	<u>95,000</u>	<u>12,100</u>	<u>(82,900)</u>
Net Change in Fund Balance	(1,000)	(1,000)	14,552	15,552
Fund Balance Beginning	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 15,552</u>	<u>\$ 15,552</u>

MCCREARY COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2016

Note 1. Budgetary Information

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

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

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

Note 2. Reconciliation of the General Fund

The *Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis* differs from the *Budgetary Comparison Schedule* for the general fund's other adjustments to cash and ending balance by \$25,907 due to the inclusion of the payroll revolving account's reconciled balance.

Note 3. Excess of Disbursements Over Appropriations

Emergency dispatch fund protection to persons and property exceeded budget appropriations by \$82,724.

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

MCCREARY COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2016

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance (*Restated)	Additions	Deletions	Ending Balance
Land	\$ 2,173,083	\$	\$	\$ 2,173,083
Construction In Progress	27,000		27,000	
Buildings	9,017,068	103,809		9,120,877
Vehicles and Equipment	1,093,779	147,768	84,270	1,157,277
Other Equipment *	1,209,682	276,726		1,486,408
Infrastructure	6,169,466	1,088,366		7,257,832
 Total Capital Assets	 <u>\$ 19,690,078</u>	 <u>\$ 1,616,669</u>	 <u>\$ 111,270</u>	 <u>\$ 21,195,477</u>

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

June 30, 2016

Note 1. Capital Assets

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

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

Note 2. Beginning Balance Restatement

The total beginning balance of the Capital Asset Schedule has been reduced by \$64,942 due to adjustment errors in the prior year. Other equipment was reduced by \$31,317 and a construction in progress - equipment category totaling \$33,625 was eliminated.

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



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Douglas Stephens, McCreary County Judge/Executive
Members of the McCreary County Fiscal Court

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

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the McCreary County Fiscal Court for the fiscal year ended June 30, 2016, and the related notes to the financial statement which collectively comprise the McCreary County Fiscal Court's financial statement and have issued our report thereon dated March 2, 2017.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2016-001, 2016-002, 2016-003, 2016-004, 2016-007, 2016-008, and 2016-009 to be material weaknesses.



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

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the McCreary County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2016-001, 2016-003, 2016-004, 2016-005, 2016-006, 2016-009, and 2016-010.

Views of Responsible Official and Planned Corrective Action

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

Purpose of this Report

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

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

March 2, 2017

**MCCREARY COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2016

MCCREARY COUNTY
SCHEDULE OF FINDINGS AND RESPONSES

Fiscal Year Ended June 30, 2016

FINANCIAL STATEMENT FINDINGS:

2016-001 The Fiscal Court Did Not Have Proper Purchase And Procurement Procedures

The following deficiencies show a lack of proper purchase and procurement procedures:

- Six invoices that were bid did not have sufficient documentation attached to support the payment.
 - Four of these were for asphalt resurfacing - only one had a list of roads paved and none had signed haul tickets attached showing a fiscal court employee received materials. Additional information from the road supervisor had to be obtained to verify the invoices were valid.
 - Although the net amount of difference was immaterial, all invoices for asphalt did not agree to the approved bid. The haul cost billed was rounded to the nearest one-tenth of a dollar (e.g., if the haul cost was calculated at \$9.57, it was billed at \$9.60, or if calculated at \$9.51, it was billed at \$9.50).
- One invoice stated 'Balance of Construction Bid' but there was no other supporting documentation, such as the approved bid or previous payments.
- Seven invoices totaling \$210,799 for the housing of inmates in other counties were paid from the statement amount without any reconciliation that the inmates listed belonged to McCreary County or that the number of days charged was accurate.
- Seven invoices were paid late (in excess of 30 days).
- 28 invoices tested did not have a purchase order attached, issued, or approved.
- One purchase order was approved after the date on the invoice.
- A payroll tax payment of \$15,984 was duplicated.
- The October retirement payments received from the sheriff and county attorney, which are included in the fiscal court's retirement payment, did not agree to the reports submitted from those officials.
- Sixteen debt payments were not made by the scheduled date; with one being more than 30 days late. These payments were pre-approved and did not require waiting until the monthly fiscal court meeting before payment could be disbursed.
- A debt payment of \$2,145 was duplicated. Because the original invoice was not paid timely, the bank sent a second invoice which was paid along with the original invoice.

The above deficiencies are a direct result of the lack of adequate segregation of duties, improper accounting practices, and poor internal controls without sufficient management oversight.

The finance officer relies on the department heads to ensure that purchases are valid, meet bid requirements, and are calculated correctly. This could have resulted in significant overpayments, misappropriations, inaccurate financial reporting, and penalties being assessed. The authorized check signers rely on the finance officer to ensure disbursements are valid before submitting them for approval. This reliance negated the compensating controls instituted to offset the lack of segregation of duties. The fiscal court spent \$18,129 in error due to duplicate payments.

The State Local Finance Officer, given the authority by KRS 68.210, requires in the *County Budget Preparation and State Local Finance Officer Policy Manual* that all disbursements be accompanied by a purchase order and sufficiently documented. KRS 65.140(2) states, "[u]nless the purchaser and vendor otherwise contract, all bills for goods or services shall be paid within thirty (30) working days of receipt of a vendor's invoice except when payment is delayed because the purchaser has made a written disapproval of improper performances or improper invoicing[.]" In addition, good internal controls dictate that proper supporting documentation is maintained to validate disbursements.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-001 The Fiscal Court Did Not Have Proper Purchase And Procurement Procedures (Continued)

We recommend the fiscal court maintain supporting documentation, such as haul tickets and approved bid specifications, with the original invoices and purchase orders. We recommend all invoices be accompanied by the signed haul ticket or packing slip showing receipt of the item purchased. Debt invoices should be accompanied by a payment or amortization schedule. We recommend the check signers ensure that all disbursements agree to the supporting documentation attached before authorization. Furthermore, we recommend the fiscal court pay all expenditures within 30 working days in compliance with KRS 65.140.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: Currently, all disbursements are reviewed and initialed by the Finance Officer, the Judge Executive, and the County Treasurer before authorization. We will ensure that all supporting documentation, such as haul tickets and amortization schedules, is attached to all invoices. Check signers will insure that all disbursements agree with the supporting documentation before authorization. Measures will be taken to correct all issues identified in this finding. Late payments are sometimes unavoidable due to our limited budget resources but every effort will be made to minimize them.

2016-002 The Payroll Account Was Not Properly Reconciled

The payroll revolving account did not reconcile to a zero balance as of June 30, 2016, and the remaining balance could not be readily explained. The remaining balance as of June 30, 2016, was \$77,819. Of this balance, the county had outstanding liabilities of \$51,448 and outstanding checks of \$464, leaving an unexplained balance of \$25,907 for fiscal year 2016. In addition, the payroll revolving account bank reconciliations were not reviewed by another employee to ensure accuracy.

The payroll account has not been properly reconciled since fiscal year 2011. In addition, the reconciliations are not being reviewed. Balances at fiscal year-end have carried forward each fiscal year without explanation. The unreconciled payroll account could cause the fiscal court to have insufficient funds to meet payroll requirements or it could cause the fiscal court's liabilities to not be properly paid or not to be paid in a timely manner.

Per KRS 68.210 the State Local Finance Officer has the authority to require a uniform system of accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual* lists "monthly bank reconciliation" as a minimum requirement for all county officials. Since the payroll account is a "sweep account" only the funds necessary to pay employees and government agencies should be transferred from other county funds. Therefore, each month the account should reconcile to zero.

We recommend the fiscal court properly reconcile the payroll revolving account. Additionally, we recommend payroll revolving account bank reconciliations be reviewed by an independent employee to verify accuracy and completeness.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: The payroll account has been out of balance for many years. We have made every attempt to reconcile but past records are limited. Will plan to balance the account to a zero balance during this fiscal year.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-003 The Fiscal Court Did Not Have Sufficient Internal Controls Over Payroll

The fiscal court did not have sufficient internal controls over payroll as shown by the following deficiencies:

- Of the 17 employees tested:
 - One employee did not have a timesheet to substantiate hours worked or health and retirement benefits received.
 - Two employees did not sign their timesheets to validate their hours worked.
 - Seven employees had a timesheet listing hours worked, but no supervisor approval was evidenced.
- Magistrates received health insurance and retirement benefits but no timesheets or affidavits were found to justify the county paying these benefits.
- Constables received health insurance and retirement benefits but no timesheets or affidavits were found to justify the county paying these benefits.

The finance officer believed his authority to approve timesheets, as delegated to him by the county judge/executive, was sufficient. Additionally, the fiscal court believed magistrates and constables, as elected officials, were exempt from submitting timesheets.

The lack of properly designed controls creates the possibility that employees will receive wages or benefits not actually earned and that discrimination will occur, such as one individual working part-time hours receiving full-time benefits while other part-time individuals receive no benefits.

Internal control procedures that are properly designed and implemented allow employees to detect misstatements in a timely manner while preventing misappropriation of assets and inaccurate financial reporting. An individual who is independent of the recording and disbursement process should approve employee timesheets.

The county administrative code SECTION 5.9 Classification of Employees (A)(1) defines a full-time employee as “[a]n employee who works 40 hours per week on a regular scheduled basis.” SECTION 5.24 (b) requires timesheets to “be signed by employee and supervisor in order to be considered valid and compensation authorized.”

The county administrative code SECTION 5.37(a) also states “[a]ll full time employees of the County shall be provided with a health and hospitalization insurance coverage plan as provided by the Fiscal Court.” In addition, KRS 78.510(21) defines regular full-time positions as “all positions that average one hundred (100) or more hours per month, determined by using the number of hours actually worked in a calendar or fiscal year[.]”

We recommend the fiscal court strengthen their internal controls and ensure compliance with the county’s administrative code by requiring any individual receiving a paycheck from the fiscal court to submit a signed timesheet. Those timesheets should be approved by the employee’s supervisor or by the county judge/executive. As elected officials, magistrates and constables are not required to maintain timesheets. However, we recommend they submit an affidavit of hours worked to ensure proper credit for retirement and to support county paid benefits.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-003 The Fiscal Court Did Not Have Sufficient Internal Controls Over Payroll (Continued)

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: Time sheets and required signatures by both the employee and the supervisors are mandatory. Problems listed will be resolved. Magistrates and Constables are elected officials with set salaries with no time sheet requirements. They are elected as full-time and are therefore entitled to full-time benefits. They have been made aware of this.

Auditor's Reply:

The recommendation that magistrates and constables submit an affidavit of hours worked is not a statutory requirement, however it is a good practice to show they have met the full-time criteria for retirement benefits.

2016-004 The Fiscal Court Did Not Have Sufficient Internal Control Procedures Over Credit Card Disbursements

The fiscal court has not implemented proper internal control procedures over credit card disbursements. Credit card disbursements had the following deficiencies:

- Nine charges were paid without supporting documentation to explain what the charges were or which department head purchased them. Three of those paid the balance of the statement (after substantiated charges were accounted for) and four were to pay internet charges. Without proper documentation, it cannot be determined if these were business or personal charges.
- Two charges were coded to the wrong fund.
- Three food charges were based on a receipt with only a total instead of an itemized listing; without an itemized listing the purchases may have included unallowable items.
- Late fees were assessed five times.
- None of the disbursements were accompanied by a purchase order.

All credit card statements showed evidence of approval with initials by the county treasurer or the county judge/executive, even with the deficiencies noted above.

The deficiencies noted above stem from a lack of adequate segregation of duties, improper accounting practices, and poor internal controls without oversight. The county treasurer and county judge/executive are relying upon the finance officer to ensure all invoices are valid without proper review of the supporting documentation before authorizing disbursement.

The lack of proper segregation of duties, improper accounting practices, and lack of oversight could result in misappropriation of assets, inaccurate financial reporting, and payment for personal purchases with public funds.

The State Local Finance Officer, given the authority by KRS 68.210, requires in the *County Budget Preparation and State Local Finance Officer Policy Manual* that all disbursements be accompanied by a purchase order, within budgeted amounts and sufficiently documented. Additionally, good internal controls dictate that proper supporting documentation is maintained to support disbursements.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-004 The Fiscal Court Did Not Have Sufficient Internal Control Procedures Over Credit Card Disbursements (Continued)

We recommend the fiscal court ensure proper accounting practices by implementing additional internal controls in the area of credit card disbursements, such as assigning an individual other than the finance officer to review all transactions to ensure they have proper documentation before being submitted for approval to the fiscal court. We further recommend the authorized check signers ensure credit card disbursements are properly supported before authorizing the disbursements.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: We make every effort to maintain strong controls over credit card purchases, making sure all receipts are attached to statements. All credit card purchases are made with the Judge/Executive's approval. The "internet charges" referenced in the audit comment were to [vendor name redacted], a website hosting site. We will make every effort to improve documentation to support all charges.

2016-005 Penalties And Interest Were Incurred Due To Late Payment Of Invoices

The fiscal court incurred penalties and interest on disbursements, debt, and payroll as follows:

- Finance charges totaling \$81 on three credit card invoices.
- Late payment fees totaling \$195 on five credit card invoices.
- Penalties and interest totaling \$242 as a result of nine out of 11 copier lease payments not paid by the date due. The June 2016 (12th) payment was paid using fiscal year 2017 funds.
- Out of 27 payments for payroll taxes, two were five to ten business days late, and 14 were 10 to 20 business days late. Also, the fiscal court did not file quarterly 941 tax reports to the Internal Revenue Service for the periods April through December. These noncompliances will likely result in penalties and interest, but as of audit report date, the amount is not known.
- Only two payments out of 36 health and other insurance invoices tested was paid on time by the date due, but no late fees were charged.

The payment of penalties and interest are due to invoices and payroll withholding not being remitted in a timely manner.

Since payments were not made before dates due, a total of \$512 of funds were used to pay penalties and interest, which could have been used for other purposes.

KRS 65.140(2) states, "[u]nless the purchaser and vendor otherwise contract, all bills for goods or services shall be paid within thirty (30) working days of receipt of a vendor's invoice except when payment is delayed because the purchaser has made a written disapproval of improper performances or improper invoicing by the vendor or by the vendor's subcontractor."

We recommend the fiscal court comply with KRS 65.140 by ensuring all invoices are paid timely. We also recommend the fiscal court ensure payroll taxes and mandatory reports are submitted to the federal government in a timely manner to avoid unnecessary penalties and interest.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-005 Penalties And Interest Were Incurred Due To Late Payment Of Invoices (Continued)

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: Every effort has been made to pay invoices in a timely manner. Due to limited budget resources, payments are not made until resources are available. This is especially difficult on recurring items that don't go through the normal approval processes. Every effort will be made to limit or eliminate these issues.

2016-006 The Fiscal Court Did Not Comply With The United State Department Of Agriculture (USDA) Grant Agreement

Since 1994, the McCreary County Fiscal Court has utilized USDA grant funds to run a Rural Business Enterprise Grant (RBEG) program. The program is designed to encourage new employment opportunities within the county by providing low cost financing to new businesses.

The most recent USDA grant for this purpose was awarded to the McCreary County Fiscal Court during fiscal year 2013 in the amount of \$75,000. In accordance with the grant agreement, the fiscal court was required to provide \$20,000 in matching funds.

In June 2014, the fiscal court approved a new business loan in the amount of \$50,000. The loan was to be made from \$40,000 obtained from the USDA grant, and the remaining \$10,000 coming from county matching funds.

The fiscal court paid the matching \$10,000 from the county's Revolving Loan Fund, which is made up of prior revolving loan repayments. Due to poor accounting practices, the auditor was unable to determine if the prior repayments were from RBEG loans or from the earlier SMART loans.

Due to the fiscal court incorrectly considering any prior RBEG repayments as being unrestricted, the county's matching requirement for the grant was not met.

The grant agreement states, "It is clearly understood that matching Revolving Loan Funds (RLF) will remain in perpetuity along with Rural Business Enterprise Grant funds that are likewise designated and referred to as the fund. The fund will contain a Federal Interest equivalent to the dollar amount invested."

Additionally, a USDA official confirmed to the auditors that any prior revolving loan repayments are restricted, and thus should not be utilized by the county as a source for their matching requirements. Loan repayments should be used to provide additional revolving loans.

We recommend the fiscal court provide their match in compliance with the USDA grant agreement and reimburse the revolving loan fund for the matching funds previously expended.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-006 The Fiscal Court Did Not Comply With The United State Department Of Agriculture (USDA) Grant Agreement (Continued)

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: We were told by officials at the USDA at the time of this loan that once payments recycle through and are paid back to the revolving loan fund, they lose their federal identity. Additionally, the money in the revolving loan account includes monies from other sources than the federal grants in the past. It was our understanding at the time that this was a proper use of that money since it was used for loans irrespective of whether there was a federal component or not. Our budget difficulties do not grant us the latitude to use money from the general fund to support the revolving loan program.

Auditor's Reply:

Due to the conflicting responses received by the USDA, we recommend you contact the USDA to discuss further and document conclusions reached.

2016-007 The Fiscal Court Did Not Maintain Accurate Capital Asset Records

The fiscal court did not maintain accurate capital asset records. The audit adjustments to the fiscal court's beginning balances are a result of adjustments made in the prior year audit not being made in the fiscal court's capital asset records. These adjustments along with audit adjustments to current year additions are a result of a lack of oversight in this area.

By not maintaining an accurate list of capital assets, assets could be improperly stated, increasing the risk of material misstatement to the capital asset schedule, and assets can be insured that are no longer owned. The beginning balances in the fiscal court's capital asset records had to be adjusted to match prior year audited amounts. These adjustments resulted in total decreases of beginning balances to buildings by \$467,863, vehicles by \$95,440, other equipment by \$305,235, and infrastructure by \$756,230. The adjustments also resulted in a total increase to the beginning balance of land by \$1,049,409. In addition, an adjustment to current year additions resulted in an increase to infrastructure by \$329,912.

KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. Per the *County Budget Preparation and State Local Finance Officer Policy Manual*, capital asset records are necessary for proper valuation.

We recommend the employee(s) in charge of capital assets maintain accurate records throughout the year of any purchases and retirements of assets and provide periodic updates to the fiscal court. Records should also be changed for any audit adjustments agreed to by management. Purchases should be approved and records should include the date the asset was acquired, a description of the asset, the vendor name, the amount, salvage value, and useful life. Invoices and supporting documentation for asset acquisition should be kept on file in a manner that allows retrieval of the original invoice for review and verification as needed by management and auditors. If possible, an inventory count at June 30 of each fiscal year should be conducted. We recommend the fiscal court provide the necessary oversight needed to ensure accurate and complete records are maintained.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: We are aware of this issue and plan to properly maintain capital asset records henceforth.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-008 The Fiscal Court Lacks Segregation Of Duties Over All Accounting Functions

The fiscal court lacks segregation of duties over all accounting functions. The following issues were noted:

- The county treasurer prepares and deposits receipts, posts to the ledgers, prepares financial reports, and prepares the bank reconciliations.
- Items returned from the bank are handled by the county treasurer.
- The finance officer prepares a list of bills for fiscal court's approval and prepares all checks.

A limited budget places restrictions on the number of employees the fiscal court can hire. When faced with a limited number of staff, strong compensating controls should have been implemented to offset the lack of segregation of duties.

The lack of oversight could result in undetected misappropriation of assets and inaccurate financial reporting to external agencies such as the Department for Local Government.

A segregation of duties over various accounting functions, such as opening mail, collecting receipts, preparing bank deposits, preparing reports and reconciliations, or the implementation of compensating controls, when needed because the number of staff is limited, is essential for providing protection from asset misappropriation and inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

To adequately protect against undetected misappropriation of assets and inaccurate financial reporting, we recommend the fiscal court separate the duties involving the opening of mail, collecting and depositing of receipts, and preparation of reports and reconciliations. If this is not feasible due to limited number of staff, strong oversight over these areas could occur and involve an employee that isn't currently performing any of those functions. Additionally, the county judge/executive could provide this oversight and document it on the appropriate source documents.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: Our limited budget and resulting minimal workforce prevent us from hiring additional employees to enable optimal remediation of this issue. We will, however, continue to have oversight by multiple employees where possible. We are well aware of the need to have oversight in all transactions and will work diligently to ensure strong controls.

2016-009 The Fiscal Court Did Not Have Sufficient Monitoring Or Internal Controls Over The Revolving Loan Program

Since 1994, the McCreary County Fiscal Court has utilized United States Department of Agriculture (USDA) grants to run a Rural Business Enterprise Grant (RBEG) program. The program is designed to encourage new employment opportunities within the county by providing low cost financing to new businesses. The fiscal court has made 34 loans totaling \$1,586,345 from fiscal year 1994 through fiscal year 2016. The following issues were noted for fiscal year 2016 as a result of reviewing the program:

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-009 The Fiscal Court Did Not Have Sufficient Monitoring Or Internal Controls Over The Revolving Loan Program (Continued)

- The fiscal court made no attempt to collect payment on 21 loans totaling \$737,928. Due to the fiscal court not accurately reviewing credit risk during the application process, or continuing to monitor repayment activity, these loans have not been collected due to either bankruptcy, inactivity of loan payments, or litigation.
- The fiscal court maintained schedules reflecting repayment activity for the loans, but in some instances the breakdown of principal and interest is not correct.
- The grant agreement requires the fiscal court to report the status of the loans to the USDA semi-annually. However, the fiscal court did not submit a report during fiscal year 2016.

Due to weak controls and inadequate monitoring over the revolving loan program, the fiscal court has forgone the ability to support viable business within the county that could have produced additional jobs and revenue for the taxpayers.

Adequate monitoring and properly designed and implemented internal controls could allow early detection of possible non-paying borrowers. In addition, good internal controls dictate accurate records are maintained to support the activity of the program.

The grant application states, "Records will include an accurate accounting of any principal repayments, interest, or other proceeds generated by the loan fund and will document expenses paid for with interest, or other proceeds generated by the loan and will be documented for the grant audits."

We recommend the fiscal court properly monitor the activities of the revolving loan program. Additionally, we recommend the fiscal court comply with the requirements of the loan application and ensure that all loans are properly made, documented, collected, and reported.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: This is a recurring audit finding and we are diligently working to remedy this issue. We have worked with our county attorney to identify collectable and uncollectable loans from the past. The Fiscal Court during 2016 authorized an option of refinancing any of the collectable loans, providing financial benefits to loan holders who complied. All but 3 of the collectable loan holders took advantage of the offer and refinanced to get their loans in compliance and up-to-date. The remainder will be pursued with legal action.

2016-010 Fiscal Court Disbursements Exceeded Budgeted Appropriations

Emergency dispatch fund disbursements exceeded budgeted appropriations by \$82,724 because the protection to persons and property line items exceeded the budget appropriations by that amount.

Due to not properly monitoring budgeted to actual disbursements, the county treasurer exceeded budgeted appropriations.

When the fiscal court exceeds budgeted appropriations within line items, they are violating KRS 68.300 which states, "[a]ny appropriation made or claim allowed by the fiscal court in excess of any budget fund, and any warrant or contract not within the budget appropriation, shall be void."

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-010 Fiscal Court Disbursements Exceeded Budgeted Appropriations

We recommend the county treasurer present line item budget transfers to the fiscal court as necessary to ensure disbursements do not exceed budgeted appropriations.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: The county treasurer will provide the line item budget transfers to the fiscal court as recommended.

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

MCCREARY COUNTY FISCAL COURT

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

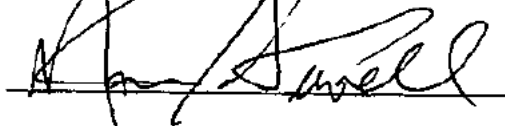
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
MCCREARY COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2016

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



County Judge/Executive



County Treasurer

