

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

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



**MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY
AUDIT OF THE
PULASKI COUNTY FISCAL COURT

June 30, 2016

The Auditor of Public Accounts has completed the audit of the Pulaski 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 the Pulaski County Fiscal Court.

Financial Condition:

The Pulaski County Fiscal Court had total receipts of \$27,472,774 and disbursements of \$27,553,176 in fiscal year 2016. This resulted in a total ending fund balance of \$3,511,748, which is an increase of \$35,090 from the prior year.

Findings:

- 2016-001 The Pulaski County Fiscal Court Lacks Adequate Segregation Of Duties Over Disbursements And Reconciliations
- 2016-002 The Pulaski County Fiscal Court Lacks Internal Controls Over Receipts
- 2016-003 The Pulaski County Fiscal Court Lacks Adequate Controls Over Occupational Tax Receipts
- 2016-004 The Pulaski County Fiscal Court Did Not Maintain Complete And Accurate Capital Asset Schedules And Did Not Perform Inventory Of Capital Assets Periodically
- 2016-005 The Pulaski County Fiscal Court Did Not Have Strong Internal Controls Over Disbursements
- 2016-006 The Pulaski County Fiscal Court Did Not Properly Disburse and Record Debt Principal And Interest Payments And Required Debt Information Was Not Properly Disclosed On The Quarterly Financial Report
- 2016-007 The Pulaski County Fiscal Court Declared An Emergency Budget Amendment For A Non-Emergency Situation
- 2016-008 The Pulaski County Fiscal Court Budget Was Not Prepared As Required
- 2016-009 The Pulaski County Fiscal Court Did Not Follow Proper Procedures For Cash Transfers Between Funds
- 2016-010 The Pulaski County Fiscal Court Did Not Perform Accurate Bank Reconciliations
- 2016-011 The Pulaski County Fiscal Court Did Not Maintain Proper Records For The Public Properties Corporation Fund And The General Obligation Bond Fund
- 2016-012 The Pulaski County Jailer Could Not Produce A Summary Of Each Inmate's Account Balance

Deposits:

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

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CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM



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 Stephen B. Kelley, Jr., Pulaski County Judge/Executive
Members of the Pulaski County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

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

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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



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

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

Emphasis of Matter

As discussed in Note 11 to the financial statement, the entity has had numerous significant transactions with a business consisting of people who are related to the officers and directors of the entity. Our opinion is not modified with respect to this matter.

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 Pulaski 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.

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

Other Matters (Continued)

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 the Capital Asset Schedule are fairly stated in all material respects in relation to the financial statement as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2017 on our consideration of the Pulaski 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 Pulaski 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 Pulaski County Fiscal Court Lacks Adequate Segregation Of Duties Over Disbursements And Reconciliations
- 2016-002 The Pulaski County Fiscal Court Lacks Internal Controls Over Receipts
- 2016-003 The Pulaski County Fiscal Court Lacks Adequate Controls Over Occupational Tax Receipts
- 2016-004 The Pulaski County Fiscal Court Did Not Maintain Complete And Accurate Capital Asset Schedules And Did Not Perform Inventory Of Capital Assets Periodically
- 2016-005 The Pulaski County Fiscal Court Did Not Have Strong Internal Controls Over Disbursements
- 2016-006 The Pulaski County Fiscal Court Did Not Properly Disburse and Record Debt Principal And Interest Payments And Required Debt Information Was Not Properly Disclosed On The Quarterly Financial Report
- 2016-007 The Pulaski County Fiscal Court Declared An Emergency Budget Amendment For A Non-Emergency Situation
- 2016-008 The Pulaski County Fiscal Court Budget Was Not Prepared As Required
- 2016-009 The Pulaski County Fiscal Court Did Not Follow Proper Procedures For Cash Transfers Between Funds
- 2016-010 The Pulaski County Fiscal Court Did Not Perform Accurate Bank Reconciliations
- 2016-011 The Pulaski County Fiscal Court Did Not Maintain Proper Records For The Public Properties Corporation Fund And The General Obligation Bond Fund
- 2016-012 The Pulaski County Jailer Could Not Produce A Summary Of Each Inmate's Account Balance

Respectfully submitted,



Mike Harmon
 Auditor of Public Accounts

March 29, 2017

PULASKI COUNTY OFFICIALS

For The Year Ended June 30, 2016

Fiscal Court Members:

Stephen B. Kelley, Jr.	County Judge/Executive
Mike Strunk	Magistrate
Glenn Maxey	Magistrate
Mike Wilson	Magistrate
Jason Turpen	Magistrate
Jimmy Wheeldon	Magistrate

Other Elected Officials:

Martin L. Hatfield	County Attorney
David Moss	Jailer
Linda Burnett	County Clerk
George Flynn	Circuit Court Clerk
Greg Speck	Sheriff
T.W. Todd	Property Valuation Administrator
Clyde Strunk	Coroner

Appointed Personnel:

Dan Price	Deputy Judge/Executive
Joan Isaacs	County Treasurer
Joan Isaacs	Occupational Tax Collector
Ross Corder	Finance Officer

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

For The Year Ended June 30, 2016

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

For The Year Ended June 30, 2016

	<u>Budgeted Funds</u>		
	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>
RECEIPTS			
Taxes	\$ 7,747,381	\$ 1,368,454	\$ 483,688
In Lieu Tax Payments	141,624	51,627	
Excess Fees	987,212		
Licenses and Permits	147,372		
Intergovernmental	1,058,148	3,771,795	2,029,426
Charges for Services	398,073		132,442
Miscellaneous	227,010	77,794	139,823
Interest	2,117	10,532	275
Total Receipts	<u>10,708,937</u>	<u>5,280,202</u>	<u>2,785,654</u>
DISBURSEMENTS			
General Government	5,150,081		
Protection to Persons and Property	1,428,984		2,527,267
General Health and Sanitation	1,373,055		
Social Services			
Recreation and Culture	494,779		
Roads		4,387,609	
Airports	131,915		
Debt Service	114,067	332,604	
Capital Projects	315,631	798,679	3,316
Administration	1,349,352	626,086	864,587
Total Disbursements	<u>10,357,864</u>	<u>6,144,978</u>	<u>3,395,170</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>351,073</u>	<u>(864,776)</u>	<u>(609,516)</u>
Other Adjustments to Cash (Uses)			
Bond Proceeds			
Net Premium (Discount) on Bond Issue			
Payments to Escrow Agent			
Transfers From Other Funds	800,000	500,000	674,653
Transfers To Other Funds	(1,205,000)		
Total Other Adjustments to Cash (Uses)	<u>(405,000)</u>	<u>500,000</u>	<u>674,653</u>
Net Change in Fund Balance	(53,927)	(364,776)	65,137
Fund Balance - Beginning (Restated)	749,681	889,511	42,862
Fund Balance - Ending	<u>\$ 695,754</u>	<u>\$ 524,735</u>	<u>\$ 107,999</u>
Composition of Fund Balance			
Bank Balance	\$ 769,717	\$ 1,338,476	\$ 132,067
Plus: Deposits In Transit			
Less: Outstanding Checks	(73,963)	(813,741)	(24,068)
Fund Balance - Ending	<u>\$ 695,754</u>	<u>\$ 524,735</u>	<u>\$ 107,999</u>

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

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

Budgeted Funds					
Local Government Economic Assistance Fund	Grant Fund	Fire Fund	Industrial Development Fund	911 Fund	Economic Development Fund
\$	\$	\$ 3,393,741	\$ 1,040,025	\$ 1,233,281	\$
384,046	102,363	6,142		223,134	
		81,431			
18,185		20,881			
140		2,345	1,805	1,565	18
<u>402,371</u>	<u>102,363</u>	<u>3,504,540</u>	<u>1,041,830</u>	<u>1,457,980</u>	<u>18</u>
10,000			299,697		
30,000		1,711,307		1,142,861	
2,000					
69,003					
195,035					
125,951					
		319,805	295,413	59,946	
	86,919	275,729	86,604	116,248	
	142	113,094	70,051	439,158	
<u>431,989</u>	<u>87,061</u>	<u>2,419,935</u>	<u>751,765</u>	<u>1,758,213</u>	
<u>(29,618)</u>	<u>15,302</u>	<u>1,084,605</u>	<u>290,065</u>	<u>(300,233)</u>	<u>18</u>
20,000				200,000	
		(800,000)			
<u>20,000</u>		<u>(800,000)</u>		<u>200,000</u>	
(9,618)	15,302	284,605	290,065	(100,233)	18
27,276	13,957	530,696	654,850	359,676	7,209
<u>\$ 17,658</u>	<u>\$ 29,259</u>	<u>\$ 815,301</u>	<u>\$ 944,915</u>	<u>\$ 259,443</u>	<u>\$ 7,227</u>
\$ 53,032	\$ 29,259	\$ 943,545	\$ 963,714	\$ 260,848	\$ 7,227
			3	79	
(35,374)		(128,244)	(18,802)	(1,484)	
<u>\$ 17,658</u>	<u>\$ 29,259</u>	<u>\$ 815,301</u>	<u>\$ 944,915</u>	<u>\$ 259,443</u>	<u>\$ 7,227</u>

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

PULASKI 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>Public Properties Corporation Fund</u>	<u>Jail Commissary Fund</u>	<u>Total Funds</u>
RECEIPTS			
Taxes	\$	\$	\$ 15,266,570
In Lieu Tax Payments			193,251
Excess Fees			987,212
Licenses and Permits			147,372
Intergovernmental	1,743,939		9,318,993
Charges for Services			611,946
Miscellaneous		444,938	928,631
Interest	2		18,799
Total Receipts	<u>1,743,941</u>	<u>444,938</u>	<u>27,472,774</u>
DISBURSEMENTS			
General Government			5,459,778
Protection to Persons and Property			6,840,419
General Health and Sanitation			1,375,055
Social Services			69,003
Recreation and Culture		347,933	1,037,747
Roads			4,513,560
Airports			131,915
Debt Service	1,858,268		2,980,103
Capital Projects			1,683,126
Administration			3,462,470
Total Disbursements	<u>1,858,268</u>	<u>347,933</u>	<u>27,553,176</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(114,327)</u>	<u>97,005</u>	<u>(80,402)</u>
Other Adjustments to Cash (Uses)			
Bond Proceeds	8,655,000		8,655,000
Net Premium (Discount) on Bond Issue	125,511		125,511
Payments to Escrow Agent	(8,665,019)		(8,665,019)
Transfers From Other Funds			2,194,653
Transfers To Other Funds		(189,653)	(2,194,653)
Total Other Adjustments to Cash (Uses)	<u>115,492</u>	<u>(189,653)</u>	<u>115,492</u>
Net Change in Fund Balance	1,165	(92,648)	35,090
Fund Balance - Beginning (Restated)	3,102	197,838	3,476,658
Fund Balance - Ending	<u>\$ 4,267</u>	<u>\$ 105,190</u>	<u>\$ 3,511,748</u>
Composition of Fund Balance			
Bank Balance	\$ 4,267	\$ 102,231	\$ 4,604,383
Deposits In Transit		4,348	4,430
Less Outstanding Checks		(1,389)	(1,097,065)
Ending Fund Balance	<u>\$ 4,267</u>	<u>\$ 105,190</u>	<u>\$ 3,511,748</u>

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

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TO THE FINANCIAL STATEMENT**

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PULASKI COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2016

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statement of Pulaski County includes all budgeted and unbudgeted funds under the control of the Pulaski 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 Somerset-Pulaski County Development Foundation, Inc. and the Somerset-Pulaski County Airport Board 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. Audits of these entities can be obtained from the Pulaski County Fiscal Court, P.O. Box 712, Somerset, KY 42502.

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.

PULASKI 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.

Grant Fund - The primary purpose of this fund is to account for grant expenses of the county. The primary sources of receipts for this fund are federal and state grants.

Fire Fund - The primary purpose of this fund is to account for fire protection expenses, purchases of buildings and fire equipment of the county including annual allotment payments and expenses of the various county fire departments and the expenses of the Hal Rogers Fire Training Center. The primary source of receipts for this fund is the fire insurance premium tax.

Industrial Development Fund - The primary purpose of this fund is to promote the industrial development of the county. The primary source of receipts for this fund is occupational tax.

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

Economic Development Fund - The primary purpose of this fund is to promote the economic development of the county.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

Public Properties 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.

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

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 public properties corporation fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually.

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

E. Pulaski County Elected Officials

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

G. Long-term Obligations

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

Note 2. Deposits

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

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the 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	Fire Fund	Jail Commissary Fund	Total Transfers In
General Fund	\$	\$ 800,000	\$	\$ 800,000
Road Fund	500,000			500,000
Jail Fund	485,000		189,653	674,653
LGEA Fund	20,000			20,000
911 Fund	200,000			200,000
Total Transfers Out	<u>\$ 1,205,000</u>	<u>\$ 800,000</u>	<u>\$ 189,653</u>	<u>\$ 2,194,653</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.

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

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 Inmate Fund - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2016 was \$174,646.

Note 5. Long-term Debt

A. First Mortgage Revenue Bonds - Series 2008

In December 2008, the Pulaski County Kentucky, Public Properties Corporation issued \$14,205,000 in First Mortgage Revenue Bonds, Series 2008 for the construction of a new Judicial Center facility for lease to the Administrative Office of the Courts. Semiannual interest payments at a variable rate from 3.5 percent to 6.0 percent are due on December 1 and June 1 of each year. Principal is due annually on December 1. During 2015, First Mortgage Refunding Revenue Bonds, Series 2015 was issued as partial advance refunding of First Mortgage Revenue Bonds, Series 2008. Therefore, the undefeased portion of the bonds matures in fiscal year 2021. The principal outstanding as of June 30, 2016, was \$3,370,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Interest
2017	\$ 630,000	\$ 142,988
2018	655,000	114,862
2019	660,000	85,275
2020	695,000	53,919
2021	730,000	18,706
Totals	<u>\$ 3,370,000</u>	<u>\$ 415,750</u>

B. First Mortgage Revenue Bonds - Series 2009

In January 2009, the Pulaski County Kentucky, Public Properties Corporation issued \$9,500,000 in First Mortgage Revenue Bonds, Series 2009 for the construction of a new Judicial Center facility for lease to the Administrative Office of the Courts. Semiannual interest payments at a variable rate from 3.5 percent to 4.875 percent are due on December 1 and June 1 of each year. Principal is due annually on December 1. The bonds mature in 2029. The principal outstanding as of June 30, 2016, is \$7,235,000. Future principal and interest requirements are:

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

Note 5. Long-term Debt (Continued)

B. First Mortgage Revenue Bonds - Series 2009 (Continued)

Fiscal Year Ending June 30	Principal	Interest
2017	\$ 425,000	\$ 313,526
2018	445,000	296,126
2019	460,000	278,026
2020	480,000	258,986
2021	500,000	238,646
2022-2026	2,860,000	835,823
2027-2029	2,065,000	152,986
Totals	<u>\$ 7,235,000</u>	<u>\$ 2,374,119</u>

C. First Mortgage Refunding Revenue Bonds - Series 2015

In July 2015, the Pulaski County Kentucky Public Properties Corporation issued \$8,655,000 in First Mortgage Refunding Revenue Bonds - Series 2015 for the purpose of partial advance refunding of the First Mortgage Revenue Bonds - Series 2008. Annual interest payments at a variable rate from 2 percent to 3.375 percent are due on June 30 of each year. Principal is due annually on June 30, beginning June 30, 2018. The bonds mature in 2029. The principal outstanding as of June 30, 2016, is \$8,655,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Interest
2017	\$	\$ 253,063
2018		253,063
2019	100,000	252,062
2020	100,000	250,062
2021	180,000	247,262
2022-2026	4,935,000	930,347
2027-2029	3,340,000	170,947
Totals	<u>\$ 8,655,000</u>	<u>\$ 2,356,806</u>

D. General Obligation Improvement Bonds - Series 2013A

In May 2013, the Pulaski County Fiscal Court issued \$2,135,000 in General Obligation Improvement Bonds - Series 2013A for the construction of a new Senior Citizens Center. Semiannual interest payments at a variable rate from 2.5 percent to 3.5 percent are due on December 1 and June 1 of each year. Principal is due annually on June 1, beginning June 1, 2021. The bonds mature in 2033. The principal outstanding as of June 30, 2016 is \$2,135,000. Future principal and interest requirements are:

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

Note 5. Long-term Debt (Continued)

D. General Obligation Improvement Bonds - Series 2013A (Continued)

Fiscal Year Ending June 30	Principal	Interest
2017	\$	\$ 64,919
2018		64,919
2019		64,919
2020		64,919
2021	115,000	64,919
2022-2026	725,000	277,131
2027-20301	895,000	159,800
2032-2033	400,000	21,175
Totals	<u>\$ 2,135,000</u>	<u>\$ 782,701</u>

E. Road Equipment

On October 20, 2011, the Pulaski County Fiscal Court entered into an agreement with Kentucky Association of Counties Leasing Trust Program for the purchase of road equipment. The principal was \$366,773 at 3.254 percent interest for a period of five years. The agreement requires monthly payments of principal and interest beginning November 20, 2011. The principal outstanding as of June 30, 2016, was 19,808. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Interest
2017	\$ 19,808	\$ 107
Totals	<u>\$ 19,808</u>	<u>\$ 107</u>

F. Taxable General Obligation Lease - Series 2013 (EMS)

On June 19, 2013, the Pulaski County Fiscal Court entered into an agreement with a local bank for the purchase of EMS equipment. The principal was \$575,000 at 3.42 percent for a period of eight years. Semiannual interest payments are due on December 1 and June 1 of each year. Principal is due annually on June 1. The principal outstanding as of June 30, 2016 is \$495,000. Future principal and interest requirements are:

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

Note 5. Long-term Debt (Continued)

F. Taxable General Obligation Lease - Series 2013 (EMS) (Continued)

Fiscal Year Ending June 30	Principal	Interest
2017	\$ 90,000	\$ 16,929
2018	120,000	13,851
2019	125,000	9,747
2020	130,000	5,472
2021	30,000	1,026
Totals	<u>\$ 495,000</u>	<u>\$ 47,025</u>

G. General Obligation Refunding Lease - Series 2013 (Fire Trucks)

On August 17, 2013, the Pulaski County Fiscal Court entered into an agreement with a local bank for a General Obligation Refunding Lease. The principal was \$2,290,547 at 2.31 percent interest for a period of eight years. The agreement requires monthly payments of principal and interest beginning September 1, 2013. The principal outstanding as of June 30, 2016 is \$1,511,609. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Interest
2017	\$ 255,207	\$ 29,561
2018	284,635	26,022
2019	291,280	19,377
2020	298,081	12,576
2021	305,040	5,617
2022	77,366	298
Totals	<u>\$ 1,511,609</u>	<u>\$ 93,451</u>

H. Case Loaders

On October 1, 2013, the Pulaski County Fiscal Court entered into an agreement with a finance company for the purchase of road equipment. The principal was \$265,881 at 2.96 percent interest for a period of four years. The agreement requires monthly payments of principal and interest beginning October 1, 2013. The principal outstanding as of June 30, 2016 is \$74,776. Future principal and interest requirements are:

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

Note 5. Long-term Debt (Continued)

H. Case Loaders (Continued)

Fiscal Year Ending June 30	Principal	Interest
2017	\$ 63,116	\$ 1,254
2018	11,660	43
Totals	<u>\$ 74,776</u>	<u>\$ 1,297</u>

I. Road Equipment

On December 23, 2013, the Pulaski County Fiscal Court entered into an agreement with Kentucky Association of Counties Leasing Trust Program for the purchase of road equipment. The principal was \$600,000 at a variable interest rate from three percent to 4.4 percent for a period of five years. The agreement requires monthly payments of principal and interest beginning January 20, 2014. The principal outstanding as of June 30, 2016 was \$254,584. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Interest
2017	\$ 164,167	\$ 9,926
2018	90,417	2,938
Totals	<u>\$ 254,584</u>	<u>\$ 12,864</u>

J. 911 Project

On December 23, 2013, the Pulaski County Fiscal Court entered into an agreement with Kentucky Association of Counties Leasing Trust Program for the purchase of 911 equipment. The principal was \$730,000 at a variable rate from three percent to 4.4 percent interest for a period of 20 years. The agreement requires monthly payments of principal and interest beginning January 20, 2015. The principal outstanding as of June 30, 2016 was \$669,167. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Interest
2017	\$ 31,667	\$ 29,702
2018	30,000	26,209
2019	30,000	25,234
2020	30,000	24,259
2021	32,083	23,284
2022-2026	177,084	99,013
2027-2031	212,083	60,308
2032-2034	126,250	11,941
Totals	<u>\$ 669,167</u>	<u>\$ 299,950</u>

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

Note 5. Long-term Debt (Continued)

K. Changes In Long-term Debt

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

	Beginning Balance (Restated)	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	\$ 2,135,000	\$	\$	\$ 2,135,000	\$
Revenue Bonds	19,140,000	8,655,000	8,535,000	19,260,000	1,055,000
Financing Obligations	3,680,278		655,334	3,024,944	623,965
Total Long-term Debt	<u>\$ 24,955,278</u>	<u>\$ 8,655,000</u>	<u>\$ 9,190,334</u>	<u>\$ 24,419,944</u>	<u>\$ 1,678,965</u>

Note 6. Commitments and Contingencies

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

Note 7. Conduit Debt

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

Note 8. Employee Retirement System

Plan Description

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

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

Note 8. Employee Retirement System (Continued)

Plan Description (Continued)

Hazardous covered employees are required to contribute eight percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008, are required to contribute nine percent of their salary to be allocated as follows: eight percent will go to the member's account and one percent will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 32.95 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) and eight percent (hazardous) 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) and seven and one-half percent (hazardous) employer pay credit. The employer pay credit represents a portion of the employer contribution.

The county's contribution for FY 2014 was \$1,819,500, FY 2015 was \$1,772,167, and FY 2016 was \$1,732,834.

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.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008, aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of 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%

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

Note 8. Employee Retirement System (Continued)

Plan Description (Continued)

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

Hazardous employees whose participation began on or after July 1, 2003, earn 15 dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, such employee's spouse receives 10 dollars per month for insurance benefits for each year of the deceased employee's hazardous service. 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. Deferred Compensation

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

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

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

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

Note 10. Insurance

For the fiscal year ended June 30, 2016, the Pulaski 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. Related Party Transaction

The Pulaski County Fiscal Court conducted business with a resurfacing vendor during fiscal year 2016; the vendor held the bid for resurfacing with the fiscal court. A magistrate's brother is employed by the vendor. During the fiscal year ended June 30, 2016, the Pulaski County Fiscal Court made disbursements from the general, road, LGEA, and fire funds totaling \$1,719,982 to the resurfacing vendor. Due to the nature of the relationship between the business and the fiscal court, the transactions are considered to be related party transactions.

Note 12. Prior Period Adjustments

	Funds			
	General	Jail	911	Jail Commissary
Prior Year Ending Balance	\$ 507,677	\$ 44,835	\$ 233,504	\$ 197,379
General Obligation Bond Fund Beginning Balance	224,550		126,172	
Prior Year Posting Error	17,454	(1,973)		459
Current Year Beginning Balance	<u>\$ 749,681</u>	<u>\$ 42,862</u>	<u>\$ 359,676</u>	<u>\$ 197,838</u>

The general obligation bond fund was included as an unbudgeted fund in the prior year. The fund had an ending balance of \$350,722. For the current audit, the general obligation bond fund was included within the general and 911 funds due to the actual debt being paid from the general and 911 funds.

The beginning balance for Financing Obligations (Case Loaders) on the Changes In Long-term Debt schedule has an unknown variance of \$5,678 from the prior year ending balance.

Note 13. Subsequent Events

On October 11, 2016, the Pulaski County Fiscal Court issued \$1,332,000 General Obligation Lease Agreement with JP Morgan Chase Bank for the purpose of road paving, equipment, land improvements, and ambulance acquisition. Semiannual interest payments at a fixed rate of 1.99 percent are due on March 1 and September 1 of each year. Principal is due on September 1, beginning September 1, 2017. The lease matures in 2027.

On July 19, 2017, the Pulaski County Fiscal Court issued \$5,000,000 General Obligation Bonds, Series 2016 for the purpose of financing the cost of acquisition and installation of energy efficiency improvements, technology improvements and public park improvements. Semiannual interest payments at a variable rate from two percent to three percent are due on December 1 and June 1 of each year. Principal is due annually on December 1, beginning December 1, 2017. The bonds mature in 2032.

PULASKI COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2016

PULASKI 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	\$ 7,507,800	\$ 7,696,808	\$ 7,704,441	\$ 7,633
In Lieu Tax Payments	220,000	251,624	141,624	(110,000)
Excess Fees	500,000	987,211	987,212	1
Licenses and Permits	148,000	148,000	147,372	(628)
Intergovernmental	1,035,410	1,068,328	1,058,148	(10,180)
Charges for Services	310,000	379,377	398,073	18,696
Miscellaneous	239,500	244,573	227,010	(17,563)
Interest	5,000	5,000	2,117	(2,883)
Total Receipts	<u>9,965,710</u>	<u>10,780,921</u>	<u>10,665,997</u>	<u>(114,924)</u>
DISBURSEMENTS				
General Government	4,669,565	5,412,251	5,150,081	262,170
Protection to Persons and Property	1,431,000	1,436,030	1,428,984	7,046
General Health and Sanitation	1,291,183	1,500,218	1,373,055	127,163
Recreation and Culture	224,335	503,615	494,779	8,836
Airports	140,000	140,000	131,915	8,085
Debt Service	123,500	123,500	114,067	9,433
Capital Projects	112,500	314,730	315,631	(901)
Administration	3,098,627	2,874,343	1,349,352	1,524,991
Total Disbursements	<u>11,090,710</u>	<u>12,304,687</u>	<u>10,357,864</u>	<u>1,946,823</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,125,000)</u>	<u>(1,523,766)</u>	<u>308,133</u>	<u>1,831,899</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	800,000	800,000	800,000	
Bond Proceeds	100,000	100,000		(100,000)
KACO Leasing Trust	100,000	116,131		(116,131)
Transfers To Other Funds			(1,205,000)	(1,205,000)
Total Other Adjustments to Cash (Uses)	<u>1,000,000</u>	<u>1,016,131</u>	<u>(405,000)</u>	<u>(1,421,131)</u>
Net Change in Fund Balance	(125,000)	(507,635)	(96,867)	410,768
Fund Balance Beginning	<u>125,000</u>	<u>507,635</u>	<u>749,681</u>	<u>242,046</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 652,814</u>	<u>\$ 652,814</u>

PULASKI 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				
Taxes	\$ 1,460,000	\$ 1,460,000	\$ 1,368,454	\$ (91,546)
In Lieu Of Taxes	80,000	80,000	51,627	(28,373)
Intergovernmental	3,247,261	3,811,895	3,771,795	(40,100)
Miscellaneous	42,000	77,793	77,794	1
Interest	8,500	8,500	10,532	2,032
Total Receipts	<u>4,837,761</u>	<u>5,438,188</u>	<u>5,280,202</u>	<u>(157,986)</u>
DISBURSEMENTS				
Roads	3,671,271	4,518,131	4,387,609	130,522
Debt Service	310,440	317,662	332,604	(14,942)
Capital Projects	260,000	792,918	798,679	(5,761)
Administration	821,050	698,988	626,086	72,902
Total Disbursements	<u>5,062,761</u>	<u>6,327,699</u>	<u>6,144,978</u>	<u>182,721</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(225,000)</u>	<u>(889,511)</u>	<u>(864,776)</u>	<u>24,735</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			500,000	500,000
Total Other Adjustments to Cash (Uses)			<u>500,000</u>	<u>500,000</u>
Net Change in Fund Balance	(225,000)	(889,511)	(364,776)	524,735
Fund Balance Beginning	<u>225,000</u>	<u>889,511</u>	<u>889,511</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 524,735</u>	<u>\$ 524,735</u>

PULASKI 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				
Taxes	\$ 520,000	\$ 520,000	\$ 483,688	\$ (36,312)
Intergovernmental	2,653,660	2,943,039	2,029,426	(913,613)
Charges for Services	67,000	127,820	132,442	4,622
Miscellaneous	201,000	201,599	139,823	(61,776)
Interest	2,000	2,000	275	(1,725)
Total Receipts	<u>3,443,660</u>	<u>3,794,458</u>	<u>2,785,654</u>	<u>(1,008,804)</u>
DISBURSEMENTS				
Protection to Persons and Property	2,572,414	2,730,359	2,527,267	203,092
Capital Projects		3,320	3,316	4
Administration	921,246	1,110,779	864,587	246,192
Total Disbursements	<u>3,493,660</u>	<u>3,844,458</u>	<u>3,395,170</u>	<u>449,288</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(50,000)</u>	<u>(50,000)</u>	<u>(609,516)</u>	<u>(559,516)</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			674,653	674,653
Total Other Adjustments to Cash (Uses)			<u>674,653</u>	<u>674,653</u>
Net Change in Fund Balance	(50,000)	(50,000)	65,137	115,137
Fund Balance Beginning	<u>50,000</u>	<u>50,000</u>	<u>42,862</u>	<u>(7,138)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 107,999</u>	<u>\$ 107,999</u>

PULASKI 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	\$ 445,500	\$ 483,508	\$ 384,046	\$ (99,462)
Miscellaneous		18,185	18,185	
Interest	200	200	140	(60)
Total Receipts	<u>445,700</u>	<u>501,893</u>	<u>402,371</u>	<u>(99,522)</u>
DISBURSEMENTS				
General Government	5,000	10,000	10,000	
Protection to Persons and Property	30,000	30,000	30,000	
General Health and Sanitation	2,000	2,000	2,000	
Social Services	62,500	72,500	69,003	3,497
Recreation and Culture	154,150	200,500	195,035	5,465
Roads	235,000	229,843	125,951	103,892
Administration	7,050	7,050	7,050	7,050
Total Disbursements	<u>495,700</u>	<u>551,893</u>	<u>431,989</u>	<u>119,904</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(50,000)</u>	<u>(50,000)</u>	<u>(29,618)</u>	<u>20,382</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			20,000	20,000
Total Other Adjustments to Cash (Uses)			<u>20,000</u>	<u>20,000</u>
Net Change in Fund Balance	(50,000)	(50,000)	(9,618)	40,382
Fund Balance - Beginning	<u>50,000</u>	<u>50,000</u>	<u>27,276</u>	<u>(22,724)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 17,658</u>	<u>\$ 17,658</u>

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

GRANT FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$	\$	\$ 102,363	\$ 102,363
Total Receipts			102,363	102,363
DISBURSEMENTS				
Capital Projects			86,919	(86,919)
Administration			142	(142)
Total Disbursements			87,061	(87,061)
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			15,302	15,302
Net Change in Fund Balance			15,302	15,302
Fund Balance - Beginning			13,957	13,957
Fund Balance - Ending	\$	0	\$ 29,259	\$ 29,259

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

	FIRE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 3,200,000	\$ 3,393,286	\$ 3,393,741	\$ 455
Intergovernmental	15,000	15,000	6,142	(8,858)
Charges for Services	30,000	68,462	81,431	12,969
Miscellaneous	8,500	19,763	20,881	1,118
Interest	5,000	5,000	2,345	(2,655)
Total Receipts	<u>3,258,500</u>	<u>3,501,511</u>	<u>3,504,540</u>	<u>3,029</u>
DISBURSEMENTS				
Protection to Persons and Property	1,792,538	2,005,343	1,711,307	294,036
Debt Service	311,000	358,900	319,805	39,095
Capital Projects	268,000	370,945	275,729	95,216
Administration	286,962	497,018	113,094	383,924
Total Disbursements	<u>2,658,500</u>	<u>3,232,206</u>	<u>2,419,935</u>	<u>812,271</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>600,000</u>	<u>269,305</u>	<u>1,084,605</u>	<u>815,300</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	<u>(800,000)</u>	<u>(800,000)</u>	<u>(800,000)</u>	
Total Other Adjustments to Cash (Uses)	<u>(800,000)</u>	<u>(800,000)</u>	<u>(800,000)</u>	
Net Change in Fund Balance	(200,000)	(530,695)	284,605	815,300
Fund Balance Beginning	<u>200,000</u>	<u>530,695</u>	<u>530,696</u>	<u>1</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 815,301</u>	<u>\$ 815,301</u>

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

INDUSTRIAL DEVELOPMENT FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 1,110,000	\$ 1,110,000	\$ 1,040,025	\$ (69,975)
Intergovernmental	1,000	1,000		(1,000)
Interest	2,500	2,500	1,805	(695)
Total Receipts	<u>1,113,500</u>	<u>1,113,500</u>	<u>1,041,830</u>	<u>(71,670)</u>
DISBURSEMENTS				
General Government	525,160	529,295	299,697	229,598
Debt Service	460,000	460,000	295,413	164,587
Capital Projects	330,000	330,000	86,604	243,396
Administration	198,340	449,054	70,051	379,003
Total Disbursements	<u>1,513,500</u>	<u>1,768,349</u>	<u>751,765</u>	<u>1,016,584</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(400,000)</u>	<u>(654,849)</u>	<u>290,065</u>	<u>944,914</u>
Net Change in Fund Balance	(400,000)	(654,849)	290,065	944,914
Fund Balance - Beginning	<u>400,000</u>	<u>654,849</u>	<u>654,850</u>	<u>1</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 944,915</u>	<u>\$ 944,915</u>

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

	911 FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 1,225,000	\$ 1,233,281	\$ 1,233,281	\$
Intergovernmental	201,000	222,731	223,134	403
Interest	1,000	1,295	1,565	270
Total Receipts	<u>1,427,000</u>	<u>1,457,307</u>	<u>1,457,980</u>	<u>673</u>
DISBURSEMENTS				
Protection to Persons and Property	1,053,160	1,160,190	1,142,861	17,329
Debt Service	55,200	55,920	59,946	(4,026)
Capital Projects	100,000	116,250	116,248	2
Administration	513,640	458,450	439,158	19,292
Total Disbursements	<u>1,722,000</u>	<u>1,790,810</u>	<u>1,758,213</u>	<u>32,597</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(295,000)</u>	<u>(333,503)</u>	<u>(300,233)</u>	<u>33,270</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			200,000	200,000
Borrowed Money	100,000	100,000		(100,000)
Total Other Adjustments to Cash (Uses)	<u>100,000</u>	<u>100,000</u>	<u>200,000</u>	<u>100,000</u>
Net Change in Fund Balance	(195,000)	(233,503)	(100,233)	133,270
Fund Balance Beginning	<u>195,000</u>	<u>233,503</u>	<u>359,676</u>	<u>126,173</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 259,443</u>	<u>\$ 259,443</u>

PULASKI 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				
Interest	\$ 16	\$ 16	\$ 18	\$ 2
Total Receipts	16	16	18	2
DISBURSEMENTS				
Administration	7,221	7,221		7,221
Total Disbursements	7,221	7,221		7,221
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(7,205)	(7,205)	18	7,223
Net Change in Fund Balance	(7,205)	(7,205)	18	7,223
Fund Balance - Beginning	7,205	7,205	7,209	4
Fund Balance - Ending	\$ 0	\$ 0	\$ 7,227	\$ 7,227

PULASKI 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. Excess of Disbursements Over Appropriations

General fund capital projects exceeded budgeted appropriations by \$901.
 Road fund debt service exceeded budgeted appropriations by \$14,942.
 Road fund capital projects exceeded budgeted appropriations by \$5,761.
 Grant fund capital projects exceeded budgeted appropriations by \$86,919.
 Grant fund administration exceeded budgeted appropriations by \$142.
 911 fund debt service exceeded budgeted appropriations by \$4,026.

Note 3. Reconciliations

The *Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis* differs from the *Budgetary Comparison Schedule - General Fund* due to the following adjustments:

Reconciliation of the general fund:

Total Receipts - Budgetary Basis	\$ 10,665,997
To adjust for Occupational Tax Fund Balance	<u>42,940</u>
Total Receipts - Regulatory Basis	<u>\$ 10,708,937</u>
Fund Balance - Ending - Budgetary Basis	\$ 652,814
To adjust for Occupational Tax Fund Balance	<u>42,940</u>
Fund Balance - Ending - Regulatory Basis	<u>\$ 695,754</u>

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

PULASKI COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2016

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 5,361,348	\$ 111,479	\$	\$ 5,472,827
Construction In Progress	454,468		454,468	
Buildings	37,403,961	638,313		38,042,274
Other Equipment	6,510,707	374,563		6,885,270
Vehicles and Equipment	17,228,713	684,678	285,944	17,627,447
Infrastructure	187,162,068	1,756,749		188,918,817
Total Capital Assets	<u>\$ 254,121,265</u>	<u>\$ 3,565,782</u>	<u>\$ 740,412</u>	<u>\$ 256,946,635</u>

PULASKI 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 and Land Improvements	\$ 25,000	10-60
Buildings and Building Improvements	\$ 50,000	10-75
Other Equipment	\$ 5,000	3-25
Vehicles and Equipment	\$ 5,000	3-25
Infrastructure	\$ 25,000	10-50

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



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Stephen B. Kelley, Jr., Pulaski County Judge/Executive
Members of the Pulaski 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 Pulaski County Fiscal Court for the fiscal year ended June 30, 2016, and the related notes to the financial statement which collectively comprise the Pulaski County Fiscal Court's financial statement and have issued our report thereon dated March 29, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Pulaski 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 Pulaski County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Pulaski 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 and other deficiencies that we consider to be significant deficiencies.

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, 2016-005, 2016-006, 2016-009, and 2016-012 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)

Internal Control Over Financial Reporting (Continued)

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2016-010 and 2016-011 to be significant deficiencies.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Pulaski 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 2016-002, 2016-004, 2016-005, 2016-006, 2016-007, 2016-008, 2016-009, 2016-010, 2016-011, and 2016-012.

Views of Responsible Officials and Planned Corrective Action

Pulaski County's views and planned corrective actions 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 29, 2017

**PULASKI COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2016

**PULASKI COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

Fiscal Year Ended June 30, 2016

FINANCIAL STATEMENT FINDINGS:

2016-001 The Pulaski County Fiscal Court Lacks Adequate Segregation Of Duties Over Disbursements And Reconciliations

The Pulaski County Fiscal Court lacks adequate segregation of duties over disbursements and the reconciliation process. The assistant finance officer can approve purchases and issues purchase orders. She also prepares the claims list for fiscal court approval, posts to the disbursements ledger, and prints checks. In addition, checks are printed with the county judge/executive's signature. The county treasurer is the only one who actually signs checks; however, she does not compare them to supporting documentation. The county treasurer receives the bank statement online each month and prepares the bank reconciliations. The fiscal court accepts the bank reconciliations each month but there is no documented review and approval. The county indicated this condition is the result of a limited budget, which restricts the number of employees the county can hire or to whom it can delegate duties.

The lack of segregation of duties increases the risk of misappropriation of assets, errors, and inaccurate financial reporting.

Adequate segregation of duties would prevent the same person from having a significant role in these incompatible functions. In addition, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

We recommend the fiscal court strengthen internal controls by segregating duties over disbursements and reconciliations. If segregation is not possible due to a limited number of staff, strong oversight should be implemented. The employee providing this oversight should document his or her review by initialing all source documentation.

Views of Responsible Official and Planned Corrective Action

County Judge/Executive's Response: Bank reconciliations will be reviewed and approved by the County Judge/Executive or the Deputy Judge. The County Judge, Deputy Judge or Treasurer will approve all purchase orders prior to issuing a number with the exception of the Detention Center. Purchase order numbers for all departments will be assigned by a designee other than those approving the PO. Substantial checks will always be compared with supporting documentation (i.e. claims list, invoice, etc.) while minimal checks will be spot checked with documentation.

2016-002 The Pulaski County Fiscal Court Lacks Internal Controls Over Receipts

There is an inadequate design of internal controls over collection of receipts. The treasurer does not compare amounts received to attached documentation from other departments collecting receipts and does not prepare a daily chronological listing of all receipts. The listing of daily receipts should be the book of original entry for all county revenues and all county funds.

A lack of controls could result in undetected fraudulent activity. The county is not in compliance with the State Local Finance Officer's requirements.

PULASKI COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
Fiscal Year Ended June 30, 2016

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-002 The Pulaski County Fiscal Court Lacks Internal Controls Over Receipts (Continued)

Pursuant to KRS 68.210, the *County Budget Preparation and State Local Finance Officer Policy Manual* requires a daily, chronological listing of all receipts. The listing is the book of original entry for all county revenues and all county funds. The journal should indicate the date money is received, a description of the revenue source, the revenue code, the total amount and the fund(s) to which the amount is distributed. In addition, good internal controls dictate using necessary resources to compare amounts received to amounts posted.

We recommend the fiscal court strengthen internal controls by comparing amounts collected to amounts recorded and we recommend the fiscal court prepare a daily chronological listing of all receipts as required by the State Local Finance Officer.

Views of Responsible Official and Planned Corrective Action

County Judge/Executive's Response: The receipts will now be logged by the Executive Secretary or Administrative Assistant and brought to the County Treasurer for comparison and approval. All logs will be signed by the County Judge or the Deputy Judge and the County Treasurer.

2016-003 The Pulaski County Fiscal Court Lacks Adequate Controls Over Occupational Tax Receipts

This is a repeat finding and was included in the prior year report as finding 2015-001. The Pulaski County Fiscal Court lacks adequate controls over occupational tax collections. The lack of controls, including segregation of duties, the ability to change amounts collected in the software program, the ability to waive interest and penalty without proper approval, and failure to compare actual tax returns to amounts posted, has caused a material weakness. The lack of controls could result in fraud, misappropriation, and misstatement.

Good and effective internal control procedures would dictate confirmation of all reports of cash receipts. We recommend the fiscal court contact the computer software company to alleviate the ability to change the amount collected and the ability to remove penalty and interest charged to taxpayers. We also recommend the fiscal court implement necessary internal controls over receipts such as comparison of the report to the amount deposited and the amount posted. The review should be documented by signature or initials.

Views of Responsible Official and Planned Corrective Action

County Judge/Executive's Response: The job duties of the Tax Administrator and the tax bookkeepers will be reassigned so as to have more adequate control.

**PULASKI COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
Fiscal Year Ended June 30, 2016**

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-004 The Pulaski County Fiscal Court Did Not Maintain Complete And Accurate Capital Asset Schedules And Did Not Perform Inventory Of Capital Assets Periodically

This is a repeat finding and was included in the prior year report as finding 2015-002. The Pulaski County Fiscal Court did not have a complete capital asset schedule for fiscal year ended June 30, 2016. The assistant finance officer is responsible for maintaining the schedule and had a workbook in which she included additions and deletions. However, upon auditor's review of the receipt and disbursements ledgers, there were items not included on the schedule that should have been. The following omissions were noted:

- Dell PowerEdge T320 server and computers in the amount of \$27,883 were purchased from the jail fund.
- MTR3000 Base Radio in the amount of \$6,532 was purchased from the 911 fund.
- Six column lifts in the amount of \$49,000 were purchased from the fire fund. In addition, the column lifts could not be traced to the fiscal court's insurance policy.
- Twelve ballistic vests in the amount of \$7,920 were purchased for the sheriff's office from the general fund.
- A Turf Tiger lawnmower in the amount of \$9,350 was purchased from the general fund. In addition, the lawnmower could not be traced to the fiscal court's insurance policy.
- Twelve radios in the amount of \$6,096 were purchased from the road fund.
- A transmission jack in the amount of \$5,364 was purchased from the fire fund.
- Timeclock in the amount of \$18,857 was purchased from the road fund.
- Two equipment sheds in the amount of \$45,000 were built and paid from the road and fire funds. In addition, the equipment sheds could not be traced to the fiscal court's insurance policy.
- A 911 building was completed during the fiscal year. Construction costs in the amount of \$61,721 were paid from the 911 fund.
- Land and land improvements at the Pulaski County Park in the amount of \$111,479 were paid from the general fund.
- Buildings and building improvements at the Pulaski County Park in the amount of \$77,124 were paid from the general fund.
- Total resurfacing costs of \$1,442,417 were paid from the road fund.
- Bridge projects in the amount of \$314,332 were paid from the road fund.
- A full body scanner was purchased in the amount of \$162,500 for the jail from the jail commissary fund. In addition, the body scanner could not be traced to the fiscal court's insurance policy.

There was no evidence that a physical inventory of the fiscal court's capital assets had been completed.

The fiscal court lacks adequate controls over reporting of capital assets. In addition, the responsibility over this area is unclear. 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. The fiscal court cannot properly determine insurance needs without proper documentation being maintained. The fiscal court's capital asset listing was underreported by \$2,345,575.

**PULASKI COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
Fiscal Year Ended June 30, 2016**

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-004 The Pulaski County Fiscal Court Did Not Maintain Complete And Accurate Capital Asset Schedules And Did Not Perform Inventory Of Capital Assets Periodically (Continued)

KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. The Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual* states that capital asset records are necessary for proper asset valuation, adequate and accurate insurance coverage, internal control, and long range planning for property replacement. It further states that fixed asset records should include a description of the asset, historical cost, date of acquisition, date of disposal, and proceeds from sale or disposal of assets.

We recommend the fiscal court maintain a complete and accurate capital asset schedule to comply with the Department for Local Government requirements. Policies should be implemented that will identify and track additions and deletions for the purpose of the capital asset schedule and required insurance coverage. In addition, the fiscal court should complete a physical inventory at least yearly to ensure all assets meeting the fiscal court's capitalization policy threshold are included.

Views of Responsible Official and Planned Corrective Action

County Judge/Executive's Response: The administrative code will be updated to allow the Finance Officer or the Administrative Assistant to track the capital assets. A complete inventory will be completed and assets will be tracked at least quarterly if not monthly. The Treasurer will be available to assist if necessary.

2016-005 The Pulaski County Fiscal Court Did Not Have Strong Internal Controls Over Disbursements

Internal controls over disbursements were not operating as intended during fiscal year 2016. Disbursements were not properly authorized, properly recorded, supporting documentation was not maintained and appropriate, and proper procedures were not followed. Failure to monitor controls led to the deficiencies listed below.

These deficiencies could result in inaccurate reporting and misappropriation of assets. The following exceptions were noted:

- Two signatures are required on checks; however, the county judge/executive's signature is printed on the checks. He does not actually sign or initial the checks or compare them to supporting documentation.
- Many disbursements were not properly recorded. Minor object codes used were not correct; however, since the major object codes were accurate, no financial statement adjustments were necessary.
- Required information such as original budget, increases/decreases by amendment or transfer, and remaining budget was not included on the appropriations ledger.
- Three disbursements were paid from a statement. No invoices were attached to support the amounts on the statement. One vendor was paid by the statement and invoice on separate dates; however, one of the checks was later voided, so no refund is due.
- Twenty-five disbursements were not paid within 30 days. No late fees or penalties were incurred.
- Twenty-two disbursements were made and not presented to the fiscal court for review prior to payment or included on the annual standing order to pre-approve recurring expenses.
- Sales tax of \$51 was paid on two purchases.

**PULASKI COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
Fiscal Year Ended June 30, 2016**

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-005 The Pulaski County Fiscal Court Did Not Have Strong Internal Controls Over Disbursements
(Continued)

- One travel voucher submitted for reimbursement lacked supporting documentation for lodging and meals. The voucher was not totaled correctly, resulting in an underpayment of \$30.
- One-fourth of the liability insurance was paid from the fire fund; however, no determination could be made for how much liability insurance coverage is actually attributed to fire protection.
- Purchase requisition forms did not always contain required information, such as account number, amount approved, approval by appropriate personnel, or date approved. In addition, many purchases exceeded the amount approved or were dated after the purchase.
- Sixteen credit card disbursements included restaurant tips totaling \$102.
- Sales tax of \$158 was paid on eleven credit card purchases.
- Eleven credit card disbursements totaling \$369 did not have a receipt or invoice to support the transactions.
- Six credit card disbursements did not have an itemized receipt or invoice. The attached credit card receipt only showed the total purchase.
- One item purchased did not agree to the tile bid which resulted in an overpayment of \$135. In addition, the bid was not clear if the bid price included bands or an added expense. Band prices were not included in the bid submitted.
- One bridge construction project exceeded the amount of the bid. The bid was for \$180,866; however, the project totaled \$190,191 for a cost overrun of \$9,325. No documentation was in the file or fiscal court orders to explain the overrun and no amendments were requested.

Proper internal controls over disbursements are important to ensure disbursements are presented to the fiscal court, include proper supporting documentation, purchases are sales tax exempt, and are paid within 30 days.

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*, issued by the Department for Local Government (DLG) “[p]urchases shall not be made without approval by the judge/executive (or designee) and/or department head. Purchases requests shall indicate the proper appropriation account number to which the claim will be posted.” The manual also states the appropriations ledger should include the original budget, increases/decreases by amendment or transfer, and the remaining balance.

The fiscal court’s administrative code states that tips are not reimbursable under section 1 of the personnel policies.

KRS 68.275 requires the county judge/executive to present all claims to the fiscal court for review prior to payment, unless the expenses are included on a standing order adopted by the fiscal court to preapprove the payment of certain claims such as monthly payroll and utility expenses. Furthermore, KRS 65.140 requires invoices to be paid within 30 days of being received and KRS 139.470(7) extends sales tax exempt status to sales to state and local government agencies.

We recommend the fiscal court implement proper internal controls over disbursements and ensure they are operating effectively.

**PULASKI COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
Fiscal Year Ended June 30, 2016**

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-005 The Pulaski County Fiscal Court Did Not Have Strong Internal Controls Over Disbursements
(Continued)

Views of Responsible Official and Planned Corrective Action

County Judge/Executive's Response: When invoices and/or receipts are received by other departments, the Finance Office cannot control the date they are received in this office. We communicate with all other departments regarding this problem and handle them to the best of our ability. Sometimes a late invoice or lost receipt is unavoidable. The administrative code will be updated to address a portion of these issues.

2016-006 The Pulaski County Fiscal Court Did Not Properly Disburse and Record Debt Principal And Interest Payments And Required Debt Information Was Not Properly Disclosed On The Quarterly Financial Report

This is a repeat finding and was included in the prior year report as finding 2015-003. The fiscal court did not properly disburse principal and interest payments and charge to appropriate accounts. In addition, required debt information was not properly disclosed in the liabilities section that is required to be submitted to the State Local Finance Officer upon submission of the fiscal court's proposed budget and quarterly financial report. The following discrepancies were also included as a finding in the prior year audit:

- The prior year audit reported that the payments for October 2014 and June 2015 were not paid for two lease obligations as required. These payments were not remitted during fiscal year 2016. The total amount due is \$36,438.
- Interest on a lease in the amount of \$9,149 was erroneously paid from the fire fund instead of the general fund.
- Principal and interest payments for a lease were not charged to a debt service account.
- Interest payments totaling \$38,338 on a general obligation refunding lease were not properly charged to an interest account. The interest account was properly budgeted; however, no amounts were reported.
- The Public Properties Corporation (PPC) First Mortgage Revenue Bonds, Series 2008 and 2009, PPC First Mortgage Refunding Revenue Bonds, Series 2015, and a case loaders lease obligation were not disclosed on the liabilities section of the quarterly financial report.
- The principal balance on the lease obligations reported was overstated by \$293,033 and the interest balance was understated by \$17,397.
- The interest balance on the general obligation bonds was overstated by \$95,643.

The deficiencies above were able to occur due to lack of oversight and internal controls over the debt payment process. The fourth quarter liabilities section was not accurate since it is prepared based on the information maintained in the accounting system. The PPC bond obligations are not reported in the county's software and therefore, not reported on the liabilities section of the quarterly financial report. In addition, the case loader lease obligation was not properly reported as debt in the system, resulting in it being omitted from the liabilities section as well.

By omitting the liabilities of the fiscal court, the State Local Finance Officer did not see the accurate financial position of the fiscal court. Total principal and interest were understated by \$19,041,743 and \$5,069,729, respectively for fiscal year 2016.

**PULASKI COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
Fiscal Year Ended June 30, 2016**

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-006 The Pulaski County Fiscal Court Did Not Properly Disburse and Record Debt Principal And Interest Payments And Required Debt Information Was Not Properly Disclosed On The Quarterly Financial Report (Continued)

The Department for Local Government and the fiscal court rely on the quarterly report to make decisions involving new debt and other financial decisions; therefore, it is important that the quarterly report be complete and accurate. The quarterly report is a cumulative report and is prepared on a regulatory basis by the county judge/executive and the county treasurer pursuant to KRS 68.210, which gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. This uniform system of accounts, as outlined in the *County Budget Preparation and State Local Finance Officer Policy Manual*, requires the budget section of the fourth quarter financial report to be utilized for reporting all current long-term debt, including public corporation bonds, general obligation bonds, Government Leasing Act issues, and Bond Anticipation Notes.

We recommend the fiscal court implement internal controls to ensure all debt payments are properly paid and accounted for. We also recommend all debt information be disclosed and reported accurately on the liabilities section of the quarterly report.

Views of Responsible Official and Planned Corrective Action

County Judge/Executive's Response: There was an error on the debt payment invoice and one debt payment invoice was never received. This has been corrected.

2016-007 The Pulaski County Fiscal Court Declared An Emergency Budget Amendment For A Non-Emergency Situation

On June 27, 2016, the Pulaski County Fiscal Court accepted an emergency budget amendment for a non-emergency situation. The budget for fiscal year 2015-2016 was amended to increase the general, road, jail, LGEA, fire, and 911 funds by \$1,351,414. An emergency budget amendment was declared because there was not time to publish and advertise before the end of the fiscal year. Time constraints do not meet the definition of a legitimate emergency. By declaring an emergency for a non-emergency situation, proper procedures for amendments to the county budget were not followed and the fiscal court is not in compliance with KRS 39A.020's definition of an emergency.

The *County Budget Preparation and State Local Finance Officer Policy Manual* states “[a] budget amendment is an ordinance and must be approved by the fiscal court in the statutorily prescribed manner including advertising and publishing requirements. All amendments to a county budget must be approved by the State Local Finance Officer as mandated by KRS 68.280.” It further states “Any amendments to a county budget submitted to the State Local Finance Officer on an emergency basis must strictly adhere to the provisions of KRS 67.078 and a photocopy order naming and describing the emergency must accompany the budget amendment pursuant to KRS 68.280.”

In addition, KRS 39A.020(12) defines emergency as “any incident or situation which poses a major threat to public safety so as to cause, or threaten to cause, loss of life, serious injury, significant damage to property, or major harm to public health or the environment and which a local emergency response agency determines is beyond its capabilities[.]” Time constraints do not meet the definition of an emergency situation.

We recommend the fiscal court follow the proper procedures outlined in the *County Budget Preparation and State Local Finance Officer Policy Manual* for budget amendments. In addition, emergencies should never be declared unless the definition of KRS 39A.020(12) is met.

**PULASKI COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
Fiscal Year Ended June 30, 2016**

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-007 The Pulaski County Fiscal Court Declared An Emergency Budget Amendment For A Non-Emergency Situation (Continued)

Views of Responsible Official and Planned Corrective Action

County Judge/Executive's Response: This was a timing oversight and will be corrected.

2016-008 The Pulaski County Fiscal Court Budget Was Not Prepared As Required

The Pulaski County Fiscal Court maintains a separate bank account for federal grants; however, this account was not included in the original budget, nor were any amendments to the budget made. Total receipts and disbursements were, respectively, \$102,363 and \$87,061 for the federal grant fund during the fiscal year.

In addition, there were several line items within each fund that were not budgeted. See below:

Fund	Line Items Not Budgeted		Amount
General	01-5110-0481	Uniforms - Constable	\$ 2,018
Jail	03-5101-0173	Counselors	4,154
Industrial Development	75-5075-0741	Lake Cumberland Reg. Airport	41

This seems to be a recurring issue in fiscal year 2017. An allegation was received alleging the fiscal court purchased a new vehicle for a constable. Auditor performed follow-up on the allegations and determined a vehicle was purchased in December 2016, but could not find evidence the disbursement was submitted to the fiscal court for review and approval. The disbursement appeared on the 2nd Quarter Financial Report; however, the line item, 01-5110-0717 Equipment - Constable, was not budgeted. As of the current date, no budget amendment has been submitted.

The budget omissions occurred due to lack of monitoring budget to actual disbursements by management. Also, during the budgeting process, the county treasurer was unaware federal grant funds were expected to be received or disbursed during the year. Failing to budget the grant fund and various line items resulted in non-compliance with applicable statutes.

KRS 68.240(1) states, “[t]he county judge/executive shall annually prepare a proposed budget for the expenditure of all funds, including those from state and federal sources, which are to be expended by the fiscal court in the next year.”

In addition, the *County Budget Preparation and State Local Officer Policy Manual* issued by the Department for Local Government (DLG) states, “[i]t is necessary to amend the budget to reflect the receipt and expenditure of funds received through a state or federal grant if that grant was not part of the original budget document. An amendment of this nature should be made immediately upon receipt of those funds.”

KRS 68.300 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. No member of the fiscal court shall vote for any such illegal appropriation or claim. The county treasurer shall be liable on his official bond for the amount of any county warrant willfully or negligently signed or countersigned by him in excess of the budget fund out of which the warrant is payable.”

We recommend the Pulaski County Fiscal Court ensure all line items as well as all funds are properly budgeted or prepare budget amendments if necessary.

**PULASKI COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
Fiscal Year Ended June 30, 2016**

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-008 The Pulaski County Fiscal Court Budget Was Not Prepared As Required (Continued)

Views of Responsible Official and Planned Corrective Action

County Judge/Executive's Response: When the budget was prepared, the Treasurer was informed there were no grants in process, when actually there were. The line items that had no budgeted amounts were not originally planned for use. We will correct this in the upcoming budget.

2016-009 The Pulaski County Fiscal Court Did Not Follow Proper Procedures For Cash Transfers Between Funds

Seven out of 15 cash transfers were approved by the fiscal court after the transfer had already been made. In addition, there was no evidence of fiscal court approval in the fiscal court order book for four out of 15 fund transfers. This was due to lack of oversight and internal controls over all accounting functions.

Without proper oversight and approval from the fiscal court, undetected misappropriation and fraud could occur. When cash transfers are made without approval of the fiscal court, money can be moved between funds to cover disbursements without the knowledge of fiscal court.

The *County Budget Preparation and State Local Finance Officer Policy Manual* states “[a]ll transfers require a court order.”

We recommend all cash transfers between funds be approved by fiscal court and approved prior to the transfer being made.

Views of Responsible Official and Planned Corrective Action

County Judge/Executive's Response: All cash transfers are approved by Fiscal Court. In addition, the transfers made prior to Fiscal Court meetings were in accordance with the Occupational Tax Ordinance.

Auditor's Reply

There was no evidence of fiscal court approval for four of the 15 cash transfers tested. In addition, not all the cash transfers approved by the fiscal court after the fact were occupational tax funds.

2016-010 The Pulaski County Fiscal Court Did Not Prepare Accurate Bank Reconciliations

The June 30, 2016 bank reconciliations contained outdated checks, some dating as far back as 2011, as noted below:

General fund - \$9,954
Road fund - \$2,577
Jail fund - \$145
Fire fund - \$858

**PULASKI COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
Fiscal Year Ended June 30, 2016**

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-010 The Pulaski County Fiscal Court Did Not Prepare Accurate Bank Reconciliations (Continued)

In addition, the June 30, 2016 bank reconciliations for the general and jail fund contained forced debits and credits in order to balance. The general fund listed a debit in the amount of \$17,454. The amount was listed as an outstanding check, but there was no check number listed. The jail fund listed two credits totaling \$1,973. The amounts were listed as deposits in transit but could not be traced to subsequent bank statements. Based upon discussion with the county treasurer, all these amounts appear to be forced debits and credits in order to balance the book balance with the bank balance. The county treasurer stated all forced debits and credits have been carried forward from the former county treasurer and she did not know what they were or how to correct them.

Due to the stale outstanding checks and the forced debits and credits, the June 30, 2016 ending balances reported on the fourth quarter financial report for the general, road, jail, and fire fund are not accurate.

If the fiscal court has stale outstanding checks, they need to be escrowed and held for three years, after which time if they are unclaimed, the funds go to the State Treasury as property assumed abandoned per KRS 393.090 and KRS 393.110.

In addition, good internal controls dictate book and bank balances should be reconciled monthly in order to ensure proper accounting and accurate fund balances.

We recommend the fiscal court open an escrow account to keep track of these old outstanding checks and, after three years, turn them over to the state treasury as required. Also, monthly bank reconciliations should be accurate with no forced debits and credits. We recommend the forced debits and credits be investigated and corrected to ensure monthly fund balances are accurate and book and bank balances reconcile.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: We are currently working on tracking down the recipients of these outstanding checks to rectify this issue. We will then comply with the KRS to open an escrow account for the monies not retrieved.

2016-011 The Pulaski County Fiscal Court Did Not Maintain Proper Records For The Public Properties Corporation Fund And General Obligation Bond Fund

The Pulaski County Fiscal Court is financially accountable and legally obligated for the debt of the Public Properties Corporation (PPC) and the general obligation bond fund. However, the fiscal court did not maintain receipts and disbursement ledgers, did not prepare monthly bank reconciliations, and did not prepare financial statements for the PPC fund and the general obligation bond fund. Failure to maintain proper records for these funds occurred due to lack of controls and oversight by management, resulting in non-compliance with the Department for Local Government requirements.

Good internal controls dictate that adequate reporting is maintained for all receipts and disbursements and that book and bank balances be reconciled monthly in order to ensure proper accounting and accurate fund balances. In addition, KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of account. The Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual* states the minimum requirements for handling public funds include monthly bank reconciliations and books of original entry for receipts and expenditures.

**PULASKI COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
Fiscal Year Ended June 30, 2016**

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-011 The Pulaski County Fiscal Court Did Not Maintain Proper Records For The Public Properties Corporation Fund And General Obligation Bond Fund (Continued)

We recommend the fiscal court prepare and maintain ledgers for receipts and disbursements of the PPC and general obligation bond funds. We also recommend that monthly bank reconciliations be prepared for both funds. In addition, the fiscal court or the applicable boards should prepare end of the year financial statements for the funds in order to ensure compliance with DLG requirements.

Views of Responsible Official and Planned Corrective Action

County Judge/Executive's Response: All PPC and Bond fund records are available for inspection.

Auditor's Reply

There were no bank reconciliations and receipts and disbursement ledgers prepared for these two accounts.

2016-012 The Pulaski County Jailer Could Not Produce A Summary Of Each Inmate's Account Balance

The inmate bank account had a balance of \$174,646. The jailer was unable to produce a summary of each inmate's balance; therefore, reconciliation to the total cash in the bank account was not possible. The jailer was not aware the inmate account should be reconciled with detail showing the amount due to each former and current inmate. The bank account balance is made up of amounts due to inmates and/or commissary profit due to the commissary fund for expenditures related to recreation and culture.

Good internal controls dictate reconciliation of the cash in the bank account to the total amount owed to inmates in order to allow monies due to the commissary fund to be utilized effectively.

We recommend the jailer request a list of individual inmate balances from the former and current software companies. These balances should be reconciled to the cash in the bank account.

Views of Responsible Official and Planned Corrective Action

County Jailer's Response: Effective April 4, 2017, [the commissary vendor] changed their software to provide an Auditing Balance Worksheet which is now in use.

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

PULASKI COUNTY FISCAL COURT

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

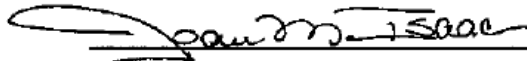
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
PULASKI COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2016

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



County Judge/Executive



County Treasurer

