

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

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



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

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

Independent Auditor's Report

**Report on the Financial Statement**

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the McCreary County Fiscal Court, for the year ended June 30, 2017, and the related notes to the financial statement which collectively comprise the McCreary County Fiscal Court's financial statement as listed in the table of contents.

**Management's Responsibility for the Financial Statement**

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

**Auditor's Responsibility**

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

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

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



To the People of Kentucky

The Honorable Matthew G. Bevin, Governor

William M. Landrum III, Secretary

Finance and Administration Cabinet

The Honorable Douglas Stephens, McCreary County Judge/Executive

Members of the McCreary County Fiscal Court

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

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

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

### **Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the McCreary County Fiscal Court as of June 30, 2017, or changes in financial position or cash flows thereof for the year then ended.

### **Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statement referred to above presents fairly, in all material respects, the fund balances of the McCreary County Fiscal Court as of June 30, 2017, and their respective cash receipts and disbursements, and budgetary results for the year then ended, in accordance with the basis of accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

### **Other Matters**

#### *Supplementary Information*

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

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

To the People of Kentucky

The Honorable Matthew G. Bevin, Governor

William M. Landrum III, Secretary

Finance and Administration Cabinet

The Honorable Douglas Stephens, McCreary County Judge/Executive

Members of the McCreary County Fiscal Court

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 19, 2018, on our consideration of the McCreary County Fiscal Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the McCreary County Fiscal Court's internal control over financial reporting and compliance.

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

- 2017-001 The Fiscal Court Did Not Budget Two Funds
- 2017-002 Transfers Were Made Before Approval By The Fiscal Court
- 2017-003 The Payroll Revolving Account Was Not Properly Reconciled
- 2017-004 The Fiscal Court Did Not Pay Invoices Timely And Incurred Penalties And Interest Charges
- 2017-005 The Fiscal Court Did Not Have Proper Purchase And Procurement Procedures
- 2017-006 The Fiscal Court Did Not Comply With The United States Department Of Agriculture (USDA) Grant Agreement
- 2017-007 The Fiscal Court Did Not Maintain Accurate Capital Asset Records
- 2017-008 The Fiscal Court Did Not Segregate Duties Over Accounting Functions
- 2017-009 The Fiscal Court Did Not Have Sufficient Monitoring Or Internal Controls Over The Revolving Loan Program
- 2017-010 The Fiscal Court Did Not Have Sufficient Internal Controls Over Payroll
- 2017-011 The Fiscal Court Did Not Have Sufficient Internal Control Procedures Over Credit Card Disbursements

Respectfully submitted,



Mike Harmon  
Auditor of Public Accounts

April 19, 2018

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

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

**Other Elected Officials:**

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

**Appointed Personnel:**

Mark Sewell	County Treasurer
Randy Jones	Chief Financial Officer



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

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

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

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

	<b>Budgeted Funds</b>			
	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Local Government Economic Assistance Fund</b>
<b>RECEIPTS</b>				
Taxes	\$ 601,114	\$	\$	\$
In Lieu Tax Payments	324,392			
Excess Fees	35,213			
Licenses and Permits	44,875			
Intergovernmental	133,241	1,755,501	152,194	75,892
Charges for Services	1,425,295			
Miscellaneous	112,344	142,082	11,145	
Interest	155	461	35	145
Total Receipts	<u>2,676,629</u>	<u>1,898,044</u>	<u>163,374</u>	<u>76,037</u>
<b>DISBURSEMENTS</b>				
General Government	787,684			
Protection to Persons and Property	1,049,543		1,036,295	
General Health and Sanitation	67,693			
Recreation and Culture	55,428			
Roads		1,425,947		181,792
Airports				
Bus Services				
Road Facilities		122,803		
Debt Service	55,081	14,455		
Capital Projects				
Administration	826,229	281,040	38,419	
Total Disbursements	<u>2,841,658</u>	<u>1,844,245</u>	<u>1,074,714</u>	<u>181,792</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(165,029)</u>	<u>53,799</u>	<u>(911,340)</u>	<u>(105,755)</u>
<b>Other Adjustments to Cash (Uses)</b>				
Payroll Revolving Account	13,675			
Proceeds From Financing Obligation				
Transfers From Other Funds	1,570,867	200,000	900,533	
Transfers To Other Funds	(1,375,415)	(428,977)		
Total Other Adjustments to Cash (Uses)	<u>209,127</u>	<u>(228,977)</u>	<u>900,533</u>	
Net Change in Fund Balance	44,098	(175,178)	(10,807)	(105,755)
Fund Balance - Beginning (Restated)	67,589	405,408	14,679	175,502
Fund Balance - Ending	<u>\$ 111,687</u>	<u>\$ 230,230</u>	<u>\$ 3,872</u>	<u>\$ 69,747</u>
<b>Composition of Fund Balance</b>				
Bank Balance	\$ 129,757	\$ 230,371	\$ 7,158	\$ 69,747
Payroll Revolving Account Balance	13,675			
Less: Outstanding Checks	(31,745)	(141)	(3,286)	
Fund Balance - Ending	<u>\$ 111,687</u>	<u>\$ 230,230</u>	<u>\$ 3,872</u>	<u>\$ 69,747</u>

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

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

<b>Budgeted Funds</b>						
<b>Ambulance Equipment Fund</b>	<b>Solid Waste Fund</b>	<b>Park Fund</b>	<b>Occupational Tax Fund</b>	<b>McCreary Co. Airport Fund</b>	<b>Grant Fund</b>	<b>Emergency Dispatch Fund</b>
\$	\$	\$	\$ 1,166,704	\$	\$	\$ 128,825
	39,836					
	54,806			611,416	11,000	204,152
		22,414				
6,545	35,457	38,564		51,972		10,944
38			76	73	14	24
<u>6,583</u>	<u>130,099</u>	<u>60,978</u>	<u>1,166,780</u>	<u>663,461</u>	<u>11,014</u>	<u>343,945</u>
			23			353,460
156,223						
	100,711				1,000	
		69,693			38,448	
				658,269		
18,460		55,625				10,862
	24,687	21,943				107,250
<u>174,683</u>	<u>125,398</u>	<u>147,261</u>	<u>23</u>	<u>658,269</u>	<u>39,448</u>	<u>471,572</u>
(168,100)	4,701	(86,283)	1,166,757	5,192	(28,434)	(127,627)
88,195						
80,800		86,457		2,867		135,692
			(1,141,890)			
<u>168,995</u>		<u>86,457</u>	<u>(1,141,890)</u>	<u>2,867</u>		<u>135,692</u>
895	4,701	174	24,867	8,059	(28,434)	8,065
36,125	59,654	1,267	42,538		39,836	987
<u>\$ 37,020</u>	<u>\$ 64,355</u>	<u>\$ 1,441</u>	<u>\$ 67,405</u>	<u>\$ 8,059</u>	<u>\$ 11,402</u>	<u>\$ 9,052</u>
\$ 37,020	\$ 69,013	\$ 4,372	\$ 67,405	\$ 21,562	\$ 11,402	\$ 9,497
	(4,658)	(2,931)		(13,503)		(445)
<u>\$ 37,020</u>	<u>\$ 64,355</u>	<u>\$ 1,441</u>	<u>\$ 67,405</u>	<u>\$ 8,059</u>	<u>\$ 11,402</u>	<u>\$ 9,052</u>

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

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

	<u>Budgeted Funds</u>		<u>Unbudgeted Funds</u>	
	<u>Revolving Loan Fund</u>	<u>Economic Development Fund</u>	<u>Park Dedicated Fund</u>	<u>Ten Commandments Fund</u>
<b>RECEIPTS</b>				
Taxes	\$	\$ 16,002	\$	\$
In Lieu Tax Payments				
Excess Fees				
Licenses and Permits				
Intergovernmental		37,167		
Charges for Services				
Miscellaneous	49,080			250
Interest	113		150	
Total Receipts	<u>49,193</u>	<u>53,169</u>	<u>150</u>	<u>250</u>
<b>DISBURSEMENTS</b>				
General Government		39,979		
Protection to Persons and Property				
General Health and Sanitation				
Recreation and Culture			189,340	
Roads				
Airports				
Bus Services				
Road Facilities				
Debt Service				2,301
Capital Projects	25			
Administration		666		
Total Disbursements	<u>25</u>	<u>40,645</u>	<u>189,340</u>	<u>2,301</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>49,168</u>	<u>12,524</u>	<u>(189,190)</u>	<u>(2,051)</u>
<b>Other Adjustments to Cash (Uses)</b>				
Payroll Revolving Account				
Proceeds From Financing Obligation				
Transfers From Other Funds				
Transfers To Other Funds			(30,934)	
Total Other Adjustments to Cash (Uses)			<u>(30,934)</u>	
Net Change in Fund Balance	49,168	12,524	(220,124)	(2,051)
Fund Balance - Beginning (Restated)	<u>73,191</u>	<u>15,552</u>	<u>220,124</u>	<u>2,051</u>
Fund Balance - Ending	<u>\$ 122,359</u>	<u>\$ 28,076</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Composition of Fund Balance</b>				
Bank Balance	\$ 122,359	\$ 28,076	\$ 434	\$
Payroll Revolving Account Balance				
Less: Outstanding Checks			(434)	
Fund Balance - Ending	<u>\$ 122,359</u>	<u>\$ 28,076</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

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

<u>Unbudgeted Funds</u>	
McCreary County	
Courthouse And	
Public Square	
Corporation	Total
<u>Fund</u>	<u>Funds</u>
\$	\$ 1,912,645
	324,392
	35,213
	84,711
424,975	3,460,344
	1,447,709
	458,383
	1,284
<u>424,975</u>	<u>7,724,681</u>
	1,181,146
	2,242,061
	169,404
	352,909
	1,607,739
	658,269
	122,803
423,975	580,759
	25
	1,300,234
<u>423,975</u>	<u>8,215,349</u>
<u>1,000</u>	<u>(490,668)</u>
	13,675
	88,195
	2,977,216
	<u>(2,977,216)</u>
	101,870
1,000	(388,798)
100	1,154,603
<u>\$ 1,100</u>	<u>\$ 765,805</u>
\$ 1,100	\$ 809,273
	13,675
	<u>(57,143)</u>
<u>\$ 1,100</u>	<u>\$ 765,805</u>

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

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TO THE FINANCIAL STATEMENT**

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**MCCREARY COUNTY  
NOTES TO FINANCIAL STATEMENT**

**June 30, 2017**

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

**A. Reporting Entity**

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

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

**B. Basis of Accounting**

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

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

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

**C. Basis of Presentation**

**Budgeted Funds**

The fiscal court reports the following budgeted funds:

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

**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.

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

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

**C. Basis of Presentation (Continued)**

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

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

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

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

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

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

McCreary Co. Airport Fund - The primary purpose of this fund is to manage the operation of the McCreary County Airport. The primary sources of receipts for this fund are hangar rentals along with state and federal grants.

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

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

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

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



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

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

**C. Basis of Presentation (Continued)**

**Unbudgeted Funds**

The fiscal court reports the following unbudgeted funds:

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

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

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

**D. Budgetary Information**

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

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

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

The state local finance officer does not require the McCreary County Courthouse and Public Square Corporation fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually.

**E. McCreary County Elected Officials**

Kentucky law provides for election of the officials listed below from the geographic area constituting McCreary County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the Board of Education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of

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

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

**E. McCreary County Elected Officials (Continued)**

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 McCreary County Fiscal Court.

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

**F. Deposits and Investments**

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

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

**G. Long-term Obligations**

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

**Note 2. Deposits**

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

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

**Note 2. Deposits (Continued)**

Custodial Credit Risk - Deposits

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

**Note 3. Transfers**

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

	General Fund	Road Fund	Occupational Tax Fund	Park Dedicated Fund	Total Transfers In
General Fund	\$	\$ 428,977	\$ 1,141,890	\$	\$ 1,570,867
Road Fund	200,000				200,000
Jail Fund	870,033			30,500	900,533
Ambulance Equipment Fund	80,800				80,800
Park Fund	86,023			434	86,457
McCreary Co. Airport Fund	2,867				2,867
Emergency Dispatch Fund	135,692				135,692
Total Transfers Out	<u>\$ 1,375,415</u>	<u>\$ 428,977</u>	<u>\$ 1,141,890</u>	<u>\$ 30,934</u>	<u>\$ 2,977,216</u>

Reason for transfers:

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

**Note 4. Agency Trust Funds**

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

The fiscal court has the following agency trust fund:

Jail Commissary Fund - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2017 was \$809. This fiscal court closed the jail commissary fund during the fiscal year ending June 30, 2013. The remaining funds are due to prior inmates.

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

**Note 5. Operating Leases**

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

Fiscal Year Ended June 30	Amount
2018	\$ 9,661
2019	9,661
2020	1,610
Total Minimum Lease Payments	<u>\$ 20,932</u>

**Note 6. Notes Receivable**

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

Once grant funds are repaid from a borrower, the repaid principal and interest will be used to make additional loans as specified in the loan guidelines. The balance of both the SMART and RBEG receivables due as of June 30, 2017, is \$841,867.

**Note 7. Long-term Debt**

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

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

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

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

**Note 7. Long-term Debt (Continued)**

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

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

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

The principal balance as of June 30, 2017, is \$1,270,000. The future debt service requirements for the 2009 First Mortgage Refunding Revenue Bonds are presented as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2018	\$ 385,000	\$ 37,575
2019	395,000	25,480
2020	415,000	12,105
2021	50,000	4,100
2022	25,000	475
Totals	<u>\$ 1,270,000</u>	<u>\$ 79,735</u>

**B. Courthouse Renovations**

On June 26, 2013, the McCreary County Fiscal Court issued \$246,320 for the purpose of paying off McCreary Co, KY (ADA) KADDFT Lease Acquisition Program 2001 Series B 59517. The debt requires semi-annual interest payments due on October 1 and April 1. The debt will mature on October 1, 2021. The principal balance as of June 30, 2017, was \$149,194. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2018	\$ 29,542	\$ 3,307
2019	28,794	2,589
2020	28,003	1,891
2021	32,075	1,152
2022	30,780	379
Totals	<u>\$ 149,194</u>	<u>\$ 9,318</u>

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

**Note 7. Long-term Debt (Continued)**

**C. Asphalt Truck**

On July 21, 2008, the McCreary County Fiscal Court entered into a ten year financing obligation with KACo Leasing Trust for the purchase of an asphalt truck. Principal and interest payments are due monthly by the 20th day of the month. The principal balance as of June 30, 2017, was \$15,049. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2018	\$ 13,868	\$ 593
2019	1,181	24
Totals	<u>\$ 15,049</u>	<u>\$ 617</u>

**D. Economic Development Loan**

In September 2009, the McCreary County Fiscal Court obtained a Rural Economic Development Finance Agreement for the construction of a multi-generational use building. The total amount financed was \$500,000 over a ten year period. The agreement requires an annual service fee with a zero rate of interest and payments of \$4,167 due the first of each month. The principal balance as of June 30, 2017, was \$112,500. Future principal and service fee requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2018	\$ 50,000	\$ 958
2019	50,000	458
2020	12,500	
Totals	<u>\$ 112,500</u>	<u>\$ 1,416</u>

**E. Ten Commandments Lawsuit General Obligation Notes Series 2011**

In December 2011, the McCreary County Fiscal Court entered into a note agreement with a local bank to pay a settlement to the American Civil Liberties Union for posting the Ten Commandments in the McCreary County Courthouse. The total amount financed was \$236,907 at a fixed rate of 3.50 percent with payments to be made quarterly until December 2016. The principal balance as of June 30, 2017, was zero.

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

**Note 7. Long-term Debt (Continued)**

**F. 911 Remodel**

On February 6, 2015, the McCreary County Fiscal Court entered into a financing obligation with KACo Leasing Trust for the purpose of remodeling part of the Emergency Medical Services building to house the 911 dispatch center. The principal was \$50,000 at an effective interest rate of 3.25 percent for a period of five years, with principal due annually and interest paid monthly. The principal balance as of June 30, 2017, was \$27,709. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2018	\$ 10,111	\$ 751
2019	10,444	417
2020	7,154	87
Totals	<u>\$ 27,709</u>	<u>\$ 1,255</u>

**G. Ambulance**

On July 13, 2016, the McCreary County Fiscal Court entered into a financing obligation with KACo Leasing Trust to purchase an ambulance. The principle was \$88,195 at an effective interest rate of 4.55 percent for a period of five years, with principle and interest both paid monthly. The principle balance as of June 30, 2017, was \$73,341. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2018	\$ 16,965	\$ 2,987
2019	17,595	2,202
2020	18,246	1,392
2021	18,927	544
2022	1,608	6
Totals	<u>\$ 73,341</u>	<u>\$ 7,131</u>

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

**Note 7. Long-term Debt (Continued)**

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

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds	\$ 1,645,000	\$	\$ 375,000	\$ 1,270,000	\$ 385,000
Capital Leases	162,500		50,000	112,500	50,000
Financing Obligations	265,828	88,195	88,730	265,293	70,486
Total Long-term Debt	<u>\$ 2,073,328</u>	<u>\$ 88,195</u>	<u>\$ 513,730</u>	<u>\$ 1,647,793</u>	<u>\$ 505,486</u>

**Note 8. Employee Retirement System**

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

The county's contribution for FY 2015 was \$282,528, FY 2016 was \$274,726, and FY 2017 was \$322,260.

Nonhazardous

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

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

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008, must meet the rule of 87 (member's age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit. The county's contribution rate for nonhazardous employees was 18.68 percent.



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

**Note 8. Employee Retirement System (Continued)**

Health Insurance Coverage

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

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

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

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

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

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

**Note 9. Flexible Spending Account**

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

**Note 10. Insurance**

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

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

**Note 11. Payroll Revolving Account**

The reconciled balance of the payroll revolving account as of June 30, 2017, was added to the general fund cash balance for financial reporting purposes.

**Note 12. Prior Period Adjustments**

	General Fund	Road Fund	Jail Fund	Emergency Dispatch Fund
Beginning Balance - June 30, 2016	\$ 93,386	\$ 404,204	\$ 14,954	\$ 877
Adjustments:				
Unexplained Payroll Balance	(25,907)			
Voided Checks	100	1,204		110
Immaterial Adjustment	10		(275)	
Restated Beginning Balance - June 30, 2016	<u>\$ 67,589</u>	<u>\$ 405,408</u>	<u>\$ 14,679</u>	<u>\$ 987</u>

**Note 13. Related Party Transactions**

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

Relationship	Loans To Related Parties	Disposition Of Loan
Borrower was related to the President of the Loan Board	\$50,000 loan in November 2006	Filed bankruptcy January 20, 2010
McCreary County Fiscal Court Deputy Judge/Executive and Wife	\$15,000 loan in January 2008	Eleven payments received in FY 2017; Note - interest rate lowered to one percent
President of the Loan Board	\$60,268 loan in November 2009	Paid off in FY 2017
Mother-In-Law to the McCreary County Deputy Judge/Executive	\$75,000 loan in September 2011	Eight payments received in FY 2017; Note - interest rate lowered to one percent

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

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

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

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

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 625,000	\$ 635,333	\$ 601,114	\$ (34,219)
In Lieu Tax Payments	264,000	273,020	324,392	51,372
Excess Fees	24,500	36,213	35,213	(1,000)
Licenses and Permits	39,000	42,121	44,875	2,754
Intergovernmental	139,750	144,037	133,241	(10,796)
Charges for Services	1,450,000	1,450,000	1,425,295	(24,705)
Miscellaneous	78,074	114,939	112,344	(2,595)
Interest	250	250	155	(95)
Total Receipts	<u>2,620,574</u>	<u>2,695,913</u>	<u>2,676,629</u>	<u>(19,284)</u>
<b>DISBURSEMENTS</b>				
General Government	752,669	822,989	787,684	35,305
Protection to Persons and Property	1,058,111	1,039,513	1,049,543	(10,030)
General Health and Sanitation	67,428	68,454	67,693	761
Recreation and Culture	48,095	55,428	55,428	
Debt Service	57,430	55,329	55,081	248
Administration	916,300	827,442	826,229	1,213
Total Disbursements	<u>2,900,033</u>	<u>2,869,155</u>	<u>2,841,658</u>	<u>27,497</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(279,459)</u>	<u>(173,242)</u>	<u>(165,029)</u>	<u>8,213</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	1,201,071	1,322,321	1,570,867	248,546
Transfers To Other Funds	(1,001,612)	(1,094,381)	(1,375,415)	(281,034)
Total Other Adjustments to Cash (Uses)	<u>199,459</u>	<u>227,940</u>	<u>195,452</u>	<u>(32,488)</u>
Net Change in Fund Balance	(80,000)	54,698	30,423	(24,275)
Fund Balance - Beginning (Restated)	<u>80,000</u>	<u>80,000</u>	<u>67,589</u>	<u>(12,411)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 134,698</u>	<u>\$ 98,012</u>	<u>\$ (36,686)</u>

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

	<b>ROAD FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
In Lieu Tax Payments	\$ 343,922	\$ 343,922	\$	\$ (343,922)
Intergovernmental	1,705,651	1,780,475	1,755,501	(24,974)
Miscellaneous	85,000	135,695	142,082	6,387
Interest	750	750	461	(289)
Total Receipts	<u>2,135,323</u>	<u>2,260,842</u>	<u>1,898,044</u>	<u>(362,798)</u>
<b>DISBURSEMENTS</b>				
Roads	1,567,212	1,597,474	1,425,947	171,527
Road Facilities	207,000	207,000	122,803	84,197
Debt Service	15,000	16,500	14,455	2,045
Administration	495,040	588,797	281,040	307,757
Total Disbursements	<u>2,284,252</u>	<u>2,409,771</u>	<u>1,844,245</u>	<u>565,526</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(148,929)</u>	<u>(148,929)</u>	<u>53,799</u>	<u>202,728</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds			200,000	200,000
Transfers To Other Funds	<u>(201,071)</u>	<u>(201,071)</u>	<u>(428,977)</u>	<u>(227,906)</u>
Total Other Adjustments to Cash (Uses)	<u>(201,071)</u>	<u>(201,071)</u>	<u>(228,977)</u>	<u>(27,906)</u>
Net Change in Fund Balance	(350,000)	(350,000)	(175,178)	174,822
Fund Balance - Beginning (Restated)	<u>350,000</u>	<u>350,000</u>	<u>405,408</u>	<u>55,408</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 230,230</u>	<u>\$ 230,230</u>

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

	<b>JAIL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 117,500	\$ 152,194	\$ 152,194	\$
Charges for Services	1,500	1,500		(1,500)
Miscellaneous	28,800	60,503	11,145	(49,358)
Interest	25	25	35	10
Total Receipts	<u>147,825</u>	<u>214,222</u>	<u>163,374</u>	<u>(50,848)</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	769,650	1,080,371	1,036,295	44,076
Administration	46,408	38,418	38,419	(1)
Total Disbursements	<u>816,058</u>	<u>1,118,789</u>	<u>1,074,714</u>	<u>44,075</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(668,233)</u>	<u>(904,567)</u>	<u>(911,340)</u>	<u>(6,773)</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	667,733	702,902	900,533	197,631
Total Other Adjustments to Cash (Uses)	<u>667,733</u>	<u>702,902</u>	<u>900,533</u>	<u>197,631</u>
Net Change in Fund Balance	(500)	(201,665)	(10,807)	190,858
Fund Balance - Beginning (Restated)	<u>500</u>	<u>500</u>	<u>14,679</u>	<u>14,179</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (201,165)</u>	<u>\$ 3,872</u>	<u>\$ 205,037</u>

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

**LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 140,507	\$ 140,507	\$ 75,892	\$ (64,615)
Interest	300	300	145	(155)
Total Receipts	<u>140,807</u>	<u>140,807</u>	<u>76,037</u>	<u>(64,770)</u>
<b>DISBURSEMENTS</b>				
Roads	209,100	209,100	181,792	27,308
Capital Projects	107,182	107,182		107,182
Total Disbursements	<u>316,282</u>	<u>316,282</u>	<u>181,792</u>	<u>134,490</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(175,475)</u>	<u>(175,475)</u>	<u>(105,755)</u>	<u>69,720</u>
Net Change in Fund Balance	(175,475)	(175,475)	(105,755)	69,720
Fund Balance - Beginning	<u>175,475</u>	<u>175,475</u>	<u>175,502</u>	<u>27</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 69,747</u>	<u>\$ 69,747</u>



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

**AMBULANCE EQUIPMENT FUND**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Miscellaneous	\$	\$ 6,545	\$ 6,545	\$
Interest	50	50	38	(12)
Total Receipts	50	6,595	6,583	(12)
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	70,899	95,494	156,223	(60,729)
Debt Service	19,069	21,819	18,460	3,359
Total Disbursements	89,968	117,313	174,683	(57,370)
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(89,918)	(110,718)	(168,100)	(57,382)
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	50,000	70,800	80,800	10,000
Proceeds From Financing Obligation			88,195	
Borrowed Money	8,800	8,800		(8,800)
Total Other Adjustments to Cash (Uses)	58,800	79,600	168,995	1,200
Net Change in Fund Balance	(31,118)	(31,118)	895	32,013
Fund Balance - Beginning	31,118	31,118	36,125	5,007
Fund Balance - Ending	\$ 0	\$ 0	\$ 37,020	\$ 37,020

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

	<b>SOLID WASTE FUND</b>			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Licenses and Permits	\$ 50,000	\$ 50,000	\$ 39,836	\$ (10,164)
Intergovernmental	48,000	58,806	54,806	(4,000)
Miscellaneous	13,500	30,202	35,457	5,255
Total Receipts	<u>111,500</u>	<u>139,008</u>	<u>130,099</u>	<u>(8,909)</u>
<b>DISBURSEMENTS</b>				
General Health and Sanitation	106,853	113,867	100,711	13,156
Administration	64,647	85,141	24,687	60,454
Total Disbursements	<u>171,500</u>	<u>199,008</u>	<u>125,398</u>	<u>73,610</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(60,000)</u>	<u>(60,000)</u>	<u>4,701</u>	<u>64,701</u>
Net Change in Fund Balance	(60,000)	(60,000)	4,701	64,701
Fund Balance - Beginning	<u>60,000</u>	<u>60,000</u>	<u>59,654</u>	<u>(346)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 64,355</u>	<u>\$ 64,355</u>

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

	<b>PARK FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Charges for Services	\$ 20,500	\$ 20,894	\$ 22,414	\$ 1,520
Miscellaneous	4,150	40,150	38,564	(1,586)
Total Receipts	<u>24,650</u>	<u>61,044</u>	<u>60,978</u>	<u>(66)</u>
<b>DISBURSEMENTS</b>				
Recreation and Culture	304,630	342,010	69,693	272,317
Debt	56,200	56,200	55,625	575
Administration	29,269	28,283	21,943	6,340
Total Disbursements	<u>390,099</u>	<u>426,493</u>	<u>147,261</u>	<u>279,232</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(365,449)</u>	<u>(365,449)</u>	<u>(86,283)</u>	<u>279,166</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	134,524	134,524	86,457	(48,067)
Total Other Adjustments to Cash (Uses)	<u>134,524</u>	<u>134,524</u>	<u>86,457</u>	<u>(48,067)</u>
Net Change in Fund Balance	(230,925)	(230,925)	174	231,099
Fund Balance - Beginning	<u>230,925</u>	<u>230,925</u>	<u>1,267</u>	<u>(229,658)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,441</u>	<u>\$ 1,441</u>

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

	<b>OCCUPATIONAL TAX FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 1,000,000	\$ 1,121,250	\$ 1,166,704	\$ 45,454
Interest	100	100	76	(24)
Total Receipts	<u>1,000,100</u>	<u>1,121,350</u>	<u>1,166,780</u>	<u>45,430</u>
<b>DISBURSEMENTS</b>				
General Government		23	23	
Total Disbursements		<u>23</u>	<u>23</u>	
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>1,000,100</u>	<u>1,121,327</u>	<u>1,166,757</u>	<u>45,430</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds	(1,001,100)	(1,122,350)	(1,141,890)	(19,540)
Total Other Adjustments to Cash (Uses)	<u>(1,001,100)</u>	<u>(1,122,350)</u>	<u>(1,141,890)</u>	<u>(19,540)</u>
Net Change in Fund Balance	(1,000)	(1,023)	24,867	25,890
Fund Balance - Beginning	<u>1,000</u>	<u>1,000</u>	<u>42,538</u>	<u>41,538</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (23)</u>	<u>\$ 67,405</u>	<u>\$ 67,428</u>

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

<b>MCCREARY CO. AIRPORT FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$	\$ 605,139	\$ 611,416	\$ 6,277
Miscellaneous		52,003	51,972	(31)
Interest			73	73
Total Receipts		<u>657,142</u>	<u>663,461</u>	<u>6,319</u>
<b>DISBURSEMENTS</b>				
Roads		(1)		(1)
Airports		660,175	658,269	1,906
Total Disbursements		<u>660,174</u>	<u>658,269</u>	<u>1,905</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		<u>(3,032)</u>	<u>5,192</u>	<u>8,224</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds			2,867	2,867
Total Other Adjustments to Cash (Uses)			<u>2,867</u>	<u>2,867</u>
Net Change in Fund Balance		(3,032)	8,059	11,091
Fund Balance - Beginning				
Fund Balance - Ending	\$	<u>0</u>	\$ <u>8,059</u>	\$ <u>11,091</u>

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

	<b>GRANT FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 10,500	\$ 11,500	\$ 11,000	\$ (500)
Interest			14	14
Total Receipts	<u>10,500</u>	<u>11,500</u>	<u>11,014</u>	<u>(486)</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	10,500	10,500		10,500
General Health and Sanitation		1,000	1,000	
Recreation and Culture		39,836	38,448	1,388
Total Disbursements	<u>10,500</u>	<u>51,336</u>	<u>39,448</u>	<u>11,888</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		<u>(39,836)</u>	<u>(28,434)</u>	<u>11,402</u>
Net Change in Fund Balance		(39,836)	(28,434)	11,402
Fund Balance - Beginning		<u>39,836</u>	<u>39,836</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 11,402</u>	<u>\$ 11,402</u>

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

	<b>EMERGENCY DISPATCH FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 130,000	\$ 130,000	\$ 128,825	\$ (1,175)
Intergovernmental	125,000	195,000	204,152	9,152
Miscellaneous	11,000	11,000	10,944	(56)
Interest	30	30	24	(6)
Total Receipts	<u>266,030</u>	<u>336,030</u>	<u>343,945</u>	<u>7,915</u>
<b>DISBURSEMENTS</b>				
General Government	266,315	359,437	353,460	5,977
Debt Service	10,862	12,990	10,862	2,128
Administration	102,211	113,761	107,250	6,511
Total Disbursements	<u>379,388</u>	<u>486,188</u>	<u>471,572</u>	<u>14,616</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(113,358)</u>	<u>(150,158)</u>	<u>(127,627)</u>	<u>22,531</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	<u>108,358</u>	<u>145,158</u>	<u>135,692</u>	<u>(9,466)</u>
Total Other Adjustments to Cash (Uses)	<u>108,358</u>	<u>145,158</u>	<u>135,692</u>	<u>(9,466)</u>
Net Change in Fund Balance	(5,000)	(5,000)	8,065	13,065
Fund Balance - Beginning (Restated)	<u>5,000</u>	<u>5,000</u>	<u>987</u>	<u>(4,013)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 9,052</u>	<u>\$ 9,052</u>

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

	<b>REVOLVING LOAN FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Miscellaneous	\$ 17,000	\$ 17,000	\$ 49,080	\$ 32,080
Interest	100	100	113	13
Total Receipts	<u>17,100</u>	<u>17,100</u>	<u>49,193</u>	<u>32,093</u>
<b>DISBURSEMENTS</b>				
Capital Projects		26	25	1
Administration	87,449	87,423		87,423
Total Disbursements	<u>87,449</u>	<u>87,449</u>	<u>25</u>	<u>87,424</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(70,349)</u>	<u>(70,349)</u>	<u>49,168</u>	<u>119,517</u>
Net Change in Fund Balance	(70,349)	(70,349)	49,168	119,517
Fund Balance - Beginning	<u>70,349</u>	<u>70,349</u>	<u>73,191</u>	<u>2,842</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 122,359</u>	<u>\$ 122,359</u>



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

**ECONOMIC DEVELOPMENT FUND**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 16,000	\$ 16,000	\$ 16,002	\$ 2
Intergovernmental	28,000	37,167	37,167	
Miscellaneous	1,950	1,950		(1,950)
Total Receipts	45,950	55,117	53,169	(1,948)
<b>DISBURSEMENTS</b>				
General Government	77,770	42,578	39,979	2,599
Administration	20,277	666	666	
Total Disbursements	98,047	43,244	40,645	2,599
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(52,097)	11,873	12,524	651
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	42,097	42,097		(42,097)
Total Other Adjustments to Cash (Uses)	42,097	42,097		(42,097)
Net Change in Fund Balance	(10,000)	53,970	12,524	(41,446)
Fund Balance - Beginning	10,000	15,552	15,552	
Fund Balance - Ending	\$ 0	\$ 69,522	\$ 28,076	\$ (41,446)

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

**June 30, 2017**

**Note 1. Budgetary Information**

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

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

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

**Note 2. Reconciliation of the General Fund**

The *Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis* differs from the *Budgetary Comparison Schedule* for the general fund's other adjustments to cash (uses) and ending balance by \$13,675 due to the inclusion of the payroll revolving account's reconciled balance.

**Note 3. Excess of Disbursements Over Appropriations**

General fund protection to persons and property exceeded budgeted appropriations by \$10,030.

Jail fund administration exceeded budgeted appropriations by \$1.

Ambulance fund equipment exceeded budgeted appropriations by \$60,729.

McCreary Co. airport fund roads exceeded budgeted appropriations by \$1.

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

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

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

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

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance (*Restated)	Additions	Deletions	Ending Balance
Land *	\$ 2,096,783	\$	\$	\$ 2,096,783
Buildings	9,120,877	32,500		9,153,377
Vehicles & Equipment	1,157,277		111,898	1,045,379
Other Equipment *	1,483,687	231,692	186,007	1,529,372
Infrastructure	7,257,832	895,662		8,153,494
 Total Capital Assets	 \$ 21,116,456	 \$ 1,159,854	 \$ 297,905	 \$ 21,978,405

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

**June 30, 2017**

**Note 1. Capital Assets**

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

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

**Note 2. Beginning Balance Restatement**

The total beginning balance of the Schedule of Capital Assets has been reduced by \$79,021 due to adjustment errors in the prior year. Land was reduced by \$76,300 and other equipment was reduced by \$2,721.

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

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

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

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

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the McCreary County Fiscal Court for the fiscal year ended June 30, 2017, and the related notes to the financial statement which collectively comprise the McCreary County Fiscal Court's financial statement and have issued our report thereon dated April 19, 2018.

**Internal Control Over Financial Reporting**

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2017-002, 2017-008, 2017-009, 2017-010, and 2017-011 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 2017-005 and 2017-007.

**Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the McCreary County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2017-001, 2017-002, 2017-003, 2017-004, 2017-005, 2017-006, 2017-009, 2017-010, and 2017-011.

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

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

**Purpose of this Report**

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

Respectfully submitted,



Mike Harmon  
Auditor of Public Accounts

April 19, 2018

**MCCREARY COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES**

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

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**MCCREARY COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES**

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

FINANCIAL STATEMENT FINDINGS:

2017-001 The Fiscal Court Did Not Budget Two Funds

---

Two funds, the park dedicated fund and the Ten Commandments fund, were not included in the fiscal court's budget. In addition, receipt and disbursement ledgers were not maintained and reconciliations were not completed for these funds.

The county judge/executive did not include all funds in the budget as required by the Department for Local Government. Failing to budget and record all revenues and expenditures results in the Quarterly Financial Statement being understated.

KRS 68.240(1) states in part, "[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 fiscal year." KRS 68.280 authorizes the fiscal court to amend the budget for "the expenditure of receipts unanticipated in the original budget by preparing an amendment to the budget[.]"

We recommend the county judge/executive present a budget which includes all funds of the county.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: The Park Dedicated and the Ten Commandments Funds are now closed with the funds expended for their intended purposes. All funds are now included in budgeted items and are listed on financial statements.*

2017-002 Transfers Were Made Before Approval By The Fiscal Court

---

The county treasurer made 92 interfund transfers during fiscal year 2017. Out of the 92 transfers, only three received approval before being issued, two were posted as receipts to unbudgeted funds, 84 received approval after the transfer was issued, and three did not receive approval.

The treasurer is transferring funds based on receipt of the claims list and requests the fiscal court's approval after the transfer has been made.

The fiscal court's authority is being circumvented by the action of the treasurer, who is making the decision on how funds are to be used by transferring them to accounts he has selected to transfer funds to.

According to page 73 of the *County Budget Preparation and State Local Finance Officer Policy Manual*, all cash transfers require a court order. Additionally, the McCreary County Fiscal Court's Administrative Code states, "[t]he original appropriation shall be entered and all amendments and transfers authorized by order of the fiscal court."

We recommend that all transfers be approved by the fiscal court before being made, and the approval be clearly reflected within the fiscal court minutes.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: We plan to minimize numbers of accounts in new budgets to resolve this issue.*

**MCCREARY COUNTY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**For The Year Ended June 30, 2017**  
**(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2017-003 The Payroll Revolving Account Was Not Properly Reconciled

---

This is a repeat finding and was included in the prior year report as finding 2016-002. The payroll revolving account did not reconcile to zero as of June 30, 2017, and the remaining balance could not be readily explained. The account balance as of June 30, 2017, was \$61,117. Of this balance the county had outstanding checks of \$1,300 and outstanding liabilities of \$46,142; leaving an unexplained balance of \$13,675 for fiscal year 2017. No evidence was found to indicate the payroll revolving account reconciliations were reviewed by another individual to ensure accuracy or completeness.

According to the treasurer, the payroll account has not been properly reconciled since before he was appointed. The balances at the end of the fiscal year have been carried forward since at least 2011 and he has not been able to determine the reason for the excess funds in the account. The county judge/executive stated he looks over the bank statements but has not signed or initialed them to show this review.

The unreconciled payroll account could cause the fiscal court to have insufficient funds to meet payroll requirements, cause the fiscal court's liabilities to not be properly paid, or cause liabilities to not be paid timely.

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

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

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: We agree with the ending balance in the payroll account, as these numbers are exactly what we show in our reconciliations. This fund has been out of balance for many years with no obvious explanation for the excess. We are looking to eliminate continued accumulation of funds in this account, further research explanation, and/or plan to close and reset the amount.*

2017-004 The Fiscal Court Did Not Pay Invoices Timely And Incurred Penalties And Interest Charges

---

This is a repeat finding and was included in the prior year report as finding 2016-005. The fiscal court incurred penalties and interest on disbursements, debt, and payroll. The following charges were discovered:

- Finance charges totaling \$108 and late payment fees of \$263 were assessed on seven credit card statements.
- Late payment fees totaling \$1,080 were incurred on the 911 dispatch telephone equipment purchase.
- Late payment fees totaling \$2,190 were incurred by two additional vendors.
- State payroll tax payments were assessed a total of \$1,302 for late penalties and interest.

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

**MCCREARY COUNTY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**For The Year Ended June 30, 2017**  
**(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2017-004 The Fiscal Court Did Not Pay Invoices Timely And Incurred Penalties And Interest Charges  
 (Continued)

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Since payments were not made before dates due, a total of \$4,943 of funds were used to pay penalties and interest, which could have been used for other purposes.

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

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

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: Previous cash flow limitations prevented timely payments in some circumstances. Some bills were received late and since fiscal court meetings occur only once per month, some bills are paid after the 30 days. Most of the issues have been resolved with additional cash flow due to the increase in revenue with the occupational tax increase. Efforts will be made to minimize any issues.*

2017-005 The Fiscal Court Did Not Have Proper Purchase And Procurement Procedures

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This is a repeat finding and was included in the prior year audit as finding 2016-001. The following deficiencies show the fiscal court lacks proper purchase and procurement procedures:

- Three invoices that were bid did not have sufficient documentation attached to support the payment.
  - These invoices were for asphalt resurfacing. Additional information such as haul tickets and mileage used to calculate haul cost had to be obtained from the road supervisor to verify the invoices were valid.
  - Although the net amount of difference was immaterial, all invoices for asphalt did not agree to the approved bid. The haul cost billed was rounded to the nearest dime (e.g., if the haul cost was calculated at \$9.57, it was billed at \$9.60, or if calculated at \$9.51, it was billed at \$9.50).
- Twelve invoices were not paid timely.
- Thirty-two invoices tested did not have a purchase order attached, issued, or approved.
- One invoice tested did not have supporting documentation.
- Three health invoices tested were paid late and did not have purchase orders.
- One invoice for \$222 was paid twice.
- Of the three retirement reports tested, all three payroll reports showed more being owed to the County Employees Retirement System (CERS) than the CERS report showed was owed and subsequently paid (a combined variance of \$485).

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

**MCCREARY COUNTY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**For The Year Ended June 30, 2017**  
**(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2017-005 The Fiscal Court Did Not Have Proper Purchase And Procurement Procedures (Continued)

The finance officer relies on the department heads to ensure that purchases are valid, meet bid requirements, and are calculated correctly. This could have resulted in significant overpayments, misappropriations, inaccurate financial reporting, or penalties being assessed. The authorized check signers rely upon the finance officer to ensure disbursements are valid before submitting them for approval. This reliance negated the compensating controls instituted to offset the lack of segregation of duties and allowed the fiscal court to spend \$222 in error due to duplicate payments. Additionally, since the payroll reports generated are used to transfer fund to the payroll account, this is likely why the payroll account has an excess of funds and cannot be reconciled to zero.

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

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

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: Measures have been taken to prevent rounding of dollar amounts by the asphalt contractor relative to the bid price. Previously, service invoices and utilities and similar items did not require the issuance of a purchase order. Procedures are now in place to minimize these deficiencies.*

2017-006 The Fiscal Court Did Not Comply With The United States Department Of Agriculture (USDA) Grant Agreement

This is a repeat finding and was included in the prior year audit report as finding 2016-006. Since 1994, the McCreary County Fiscal Court has utilized USDA grant funds to run a Rural Business Enterprise Grant (RBEG) program. The program is designed to encourage new employment opportunities within the county by providing low cost financing to new businesses.

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

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

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



**MCCREARY COUNTY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**For The Year Ended June 30, 2017**  
**(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2017-006 The Fiscal Court Did Not Comply With The United States Department Of Agriculture (USDA) Grant Agreement (Continued)

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

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

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

We recommend the fiscal court provide their match in compliance with the USDA grant agreement and reimburse the revolving loan fund for the matching funds previously expended. This matter will be referred to the United States Department of Agriculture.

Views of Responsible Official and Planned Corrective Action:

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

Auditor's Reply: Fiscal court management is responsible for reviewing and adhering to all federal grant requirements. Fiscal court management should only comingle funds when permissible and accounting records are sufficient to clearly differentiate between the source and expenditure of the funds.

2017-007 The Fiscal Court Did Not Maintain Accurate Capital Asset Records

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This is a repeat finding and was included in the prior year report as finding 2016-007. The fiscal court is not maintaining accurate capital asset records. The audit adjustments to the fiscal court's beginning balances are due to prior year changes that were not adjusted timely. These adjustments along with audit adjustments to current year additions are a result of a lack of oversight in this area.

Management's lack of oversight caused capital assets records to be inaccurate. As a result of not maintaining an accurate list of capital assets, assets could be improperly stated, increasing the risk of material misstatement to the capital asset schedule, and assets can be insured that are no longer owned. The beginning balance for land was decreased by \$76,300 from the prior year amount due to a prior year land donation that was not addressed. The beginning balance for other equipment was decreased by \$2,721 for a generator that was replaced through the county's insurance policy in the prior year. Furthermore, the county failed to add six assets, totaling \$126,697 purchased during the fiscal year to their asset listing.

**MCCREARY COUNTY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**For The Year Ended June 30, 2017**  
**(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2017-007 The Fiscal Court Did Not Maintain Accurate Capital Asset Records (Continued)

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

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

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: Errors in the capital asset records were due primarily to tabulating on a calendar year versus a fiscal year. We have initiated measures to correct this.*

2017-008 The Fiscal Court Did Not Segregate Duties Over Accounting Functions

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This is a repeat finding and was included in the prior year audit report as finding 2016-008. A lack of segregation of duties exists over accounting functions. The following issues were noted:

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

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

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

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

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

**MCCREARY COUNTY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**For The Year Ended June 30, 2017**  
**(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2017-008 The Fiscal Court Did Not Segregate Duties Over Accounting Functions (Continued)

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Views of Responsible Official and Planned Corrective Action:

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

2017-009 The Fiscal Court Did Not Have Sufficient Monitoring Or Internal Controls Over The Revolving Loan Program

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This is a repeat finding and was included in the prior year audit report as finding 2016-009. Since 1994, the McCreary County Fiscal Court has utilized United States Department of Agriculture (USDA) grants to run a Rural Business Enterprise Grant (RBEG) program. The program is designed to encourage new employment opportunities within the county by providing low cost financing to new businesses. The fiscal court has made 34 loans, totaling \$1,586,345 from fiscal year 1994 through fiscal year 2017. The following issues were noted for fiscal year 2017 as a result of reviewing the program:

- The fiscal court made an attempt to collect payment on 12 inactive loans originally totaling \$568,082 by way of refinancing. The loans were refinanced to a 1 percent interest rate and had their principal balances lowered dependent on their payment history. According to the county judge/executive, the prior payments made on these loans were converted to all principal. Due to records the fiscal court maintained in regards to payment history not being complete, the new beginning balances could not be verified for accuracy.
- According to the county judge/executive, the decision to refinance the inactive loans was discussed and approved by the USDA. However, the auditor was informed the approval was not in writing, and the official at the USDA involved with the discussion was now retired.
- The grant agreement requires the fiscal court to report the status of the loans to the USDA semi-annually. However, the fiscal court did not submit a report during fiscal year 2017.

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

Section 52 of the Kentucky Constitution prohibits the fiscal court from forgiving debt in which the amount can be precisely determined and which is not in dispute.

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

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

**MCCREARY COUNTY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**For The Year Ended June 30, 2017**  
**(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2017-009 The Fiscal Court Did Not Have Sufficient Monitoring Or Internal Controls Over The Revolving Loan Program (Continued)

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We recommend the fiscal court properly monitor the activities of the revolving loan program. Additionally, we recommend the fiscal court comply with the requirements of the loan application and ensure that all loans are properly made, documented, collected, and reported. This matter will be referred to the United States Department of Agriculture.

Views of Responsible Official and Planned Corrective Action:

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

2017-010 The Fiscal Court Did Not Have Sufficient Internal Controls Over Payroll

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This is a repeat finding included in the prior year audit report as finding 2016-003. The fiscal court did not have sufficient internal controls over payroll as shown by the following deficiencies:

- Of the 20 employees tested:
  - Four employees did not have a timesheet to substantiate hours worked or health and retirement benefits received.
  - Six employees had a timesheet listing hours worked, but no evidence of supervisor approval.
  - One employee received a vacation leave payout, which is allowed under the county's administrative code; however, the county judge failed to approve this payout, which is required.
- Magistrates received health insurance and retirement benefits but no timesheets or affidavits were found to justify the county paying these benefits.
- The coroner received health insurance and retirement benefits but no timesheets or affidavits were found to justify the county paying these benefits.

The lack of properly designed internal controls creates the possibility that employees will receive wages or benefits not actually earned and that discrimination will occur, such as one individual working part-time hours receiving full-time benefits while other part-time individuals receive no benefits. Additionally, the fiscal court believed magistrates and constables, as elected officials, were exempt from submitting timesheets.

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

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

**MCCREARY COUNTY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**For The Year Ended June 30, 2017**  
**(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2017-010 The Fiscal Court Did Not Have Sufficient Internal Controls Over Payroll (Continued)

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

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

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive’s Response: We changed salaried employees to hourly during the year and now require timesheets for those hourly employees. We still maintain that the elected offices of magistrate, jailer, coroner, constables, etc. are not required to present time sheets for their work. Supervisors always sign their employees’ time sheets. I, the Judge/Executive, sign all supervisors time sheets as they are presented.*

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

2017-011 The Fiscal Court Did Not Have Sufficient Internal Control Procedures Over Credit Card Disbursements

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This is a repeat finding and was included in the prior year audit report as finding 2016-004. The fiscal court has not implemented proper internal control procedures over credit card disbursements. We noted the following deficiencies with credit card disbursements:

- Four charges were paid without supporting documentation to explain what the charges were or which department head purchased them.
- Three food charges were based on a receipt with only a total instead of an itemized listing; without an itemized listing the purchases may have included unallowable items.
- None of the disbursements were accompanied by a purchase order.

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

The deficiencies noted above stem from a lack of adequate segregation of duties, improper accounting practices, and poor internal controls without oversight. The county treasurer and county judge/executive are relying upon the finance officer to ensure all invoices are valid without proper review of the supporting documentation before authorizing disbursement. The lack of proper segregation of duties, improper accounting practices, and lack of oversight could result in misappropriation of assets, inaccurate financial reporting, or payment for personal purchases with public funds.

**MCCREARY COUNTY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**For The Year Ended June 30, 2017**  
**(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2017-011 The Fiscal Court Did Not Have Sufficient Internal Control Procedures Over Credit Card Disbursements (Continued)

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

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

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: We make every effort to maintain strong controls over credit card purchases, making sure all receipts are attached to statements. All credit card purchases are made with the Judge/Executive's approval. We will make every effort to improve compliance by users of the credit card to provide sufficient itemized documentation to support all charges.*

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

**MCCREARY COUNTY FISCAL COURT**

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

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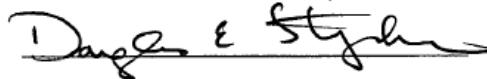


CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM  
MCCREARY COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2017

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



County Judge/Executive



County Treasurer