

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

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



**MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS**

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

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

The enclosed report prepared by Teddy Michael Prater, CPA, PLLC presents the financial statement of Estill County, Kentucky, for the year ended June 30, 2016.

We engaged Teddy Michael Prater, CPA, PLLC to perform the audit of this financial statement. We worked closely with the firm during our report review process; Teddy Michael Prater, CPA, PLLC evaluated the Estill County Fiscal Court's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Mike Harmon
Auditor of Public Accounts

Enclosure



EXECUTIVE SUMMARY
AUDIT OF THE
ESTILL COUNTY FISCAL COURT

June 30, 2016

Teddy Michael Prater CPA, PLLC has completed the audit of the Estill County Fiscal Court for the fiscal year ended June 30, 2016.

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

In accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), they have also issued an unmodified opinion on the compliance requirements that are applicable to the Estill County Fiscal Court's major federal program: Chemical Stockpile Emergency Preparedness Program (CFDA #97.040).

Financial Condition:

The Estill County Fiscal Court had total receipts of \$5,583,541, financing proceeds of \$121,905, and disbursements of \$5,900,885 in fiscal year 2016. This resulted in a total ending fund balance of \$243,792, which is a decrease of \$195,439 from the prior year.

Findings:

- 2016-001 The Fiscal Court Did Not Follow Proper Procedures For Disbursements
- 2016-002 The Fiscal Court Did Not Report Encumbrances On The Fourth Quarter Financial Report
- 2016-003 The Jail Did Not Maintain Adequate Accounting Controls Over The Jail Commissary Fund

Deposits:

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

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To the People of Kentucky
Honorable Matthew G. Bevin, Governor
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Honorable Wallace Taylor, Estill County Judge/Executive
Members of the Estill 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 Estill County Fiscal Court, for the year ended June 30, 2016, and the related notes to the financial statement which collectively comprise the Estill County Fiscal Court's financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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

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

As described in Note 1 of the financial statement, the financial statement is prepared by the Estill 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 Estill County Fiscal Court as of June 30, 2016, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

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

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of the Estill County Fiscal Court. The Budgetary Comparison Schedules, Capital Asset Schedule, and the Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) are presented for purposes of additional analysis and are not a required part of the financial statement; however, they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

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Members of the Estill County Fiscal Court

Other Matters (Continued)

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

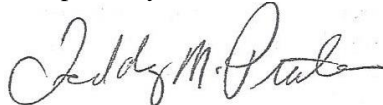
Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2016 on our consideration of the Estill 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 Estill County Fiscal Court's internal control over financial reporting and compliance.

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

- 2016-001 The Fiscal Court Did Not Follow Proper Procedures For Disbursements
- 2016-002 The Fiscal Court Did Not Report Encumbrances On The Fourth Quarter Financial Report
- 2016-003 The Jail Did Not Maintain Adequate Accounting Controls Over The Jail Commissary Fund

Respectfully submitted,



Teddy Michael Prater CPA, PLLC

November 21, 2016

ESTILL COUNTY OFFICIALS

For The Year Ended June 30, 2016

Fiscal Court Members:

Wallace Taylor	County Judge/Executive
Darrell Johnson	Magistrate
Gerald Rader	Magistrate
Gerry Flannery	Magistrate

Other Elected Officials:

Rodney Davis	County Attorney
Bo Morris	Jailer
Sherry Fox	County Clerk
Stephanie Brinegar	Circuit Court Clerk
Gary Freeman	Sheriff
Jeff Hix	Property Valuation Administrator
Tony Murphy	Coroner

Appointed Personnel:

Teresa Sparks	Deputy County Judge/Executive
Laura Ann Rogers	County Treasurer/Occupational Tax Collector
Christine Brandenburg	Finance Officer

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

For The Year Ended June 30, 2016

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

For The Year Ended June 30, 2016

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	\$ 1,753,249	\$	\$
In Lieu Tax Payments	8,387	10,407	
Excess Fees	104,129		
Licenses and Permits	12,685		
Intergovernmental	155,992	1,354,334	91,682
Charges for Services	307,356	250,000	8,480
Miscellaneous	386,768	13,616	774
Interest	2,619		18
Total Receipts	<u>2,731,185</u>	<u>1,628,357</u>	<u>100,954</u>
DISBURSEMENTS			
General Government	780,572		
Protection to Persons and Property	360,047		684,924
General Health and Sanitation	88,891		
Social Services	177,484		
Recreation and Culture	32,838		
Roads		1,446,958	
Debt Service	178,465	25,833	
Capital Projects	22,507	46,217	
Administration	648,588	224,393	179,432
Total Disbursements	<u>2,289,392</u>	<u>1,743,401</u>	<u>864,356</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>441,793</u>	<u>(115,044)</u>	<u>(763,402)</u>
Other Adjustments to Cash (Uses)			
Financing Obligation Proceeds Borrowed Money	150	121,755	
Transfers From Other Funds	347,661	81,000	750,500
Transfers To Other Funds	(831,500)	(182,507)	
Total Other Adjustments to Cash (Uses)	<u>(483,689)</u>	<u>20,248</u>	<u>750,500</u>
Net Change in Fund Balance	(41,896)	(94,796)	(12,902)
Fund Balance - Beginning	<u>53,527</u>	<u>95,007</u>	<u>16,742</u>
Fund Balance - Ending	<u>\$ 11,631</u>	<u>\$ 211</u>	<u>\$ 3,840</u>
Composition of Fund Balance			
Bank Balance	\$ 24,389	\$ 8,739	\$ 6,162
Plus: Deposits In Transit			
Less: Outstanding Checks	<u>(12,758)</u>	<u>(8,528)</u>	<u>(2,322)</u>
Fund Balance - Ending	<u>\$ 11,631</u>	<u>\$ 211</u>	<u>\$ 3,840</u>

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

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

Budgeted Funds						
Local Government Economic Assistance Fund	State Grants Fund	Emergency Services Communication Fund	Search and Rescue Fund	CSEPP Fund	911/CMRS Fund	Homeland Security Grant Fund
\$ 10,373	\$	\$	\$	\$	\$	\$
17,395	57,948			840,847		
	660	20,605			105,777	
125	4,000					
2						
<u>27,895</u>	<u>62,608</u>	<u>20,605</u>		<u>840,847</u>	<u>105,777</u>	
8,951						
2,710	16,868	24,874		742,264	11,083	
100	16,766					
14,489						
1,837				98,124		
<u>28,087</u>	<u>33,634</u>	<u>24,874</u>		<u>840,388</u>	<u>11,083</u>	
(192)	28,974	(4,269)		459	94,694	
					(160,000)	
					(160,000)	
(192)	28,974	(4,269)		459	(65,306)	
447	20,652	74,164		53,725	95,142	
<u>\$ 255</u>	<u>\$ 49,626</u>	<u>\$ 69,895</u>	<u>\$ 0</u>	<u>\$ 54,184</u>	<u>\$ 29,836</u>	<u>\$ 0</u>
\$ 3,938	\$ 49,786	\$ 69,895	\$	\$ 107,468	\$ 29,836	\$
(3,683)	(160)			(53,284)		
<u>\$ 255</u>	<u>\$ 49,626</u>	<u>\$ 69,895</u>	<u>\$ 0</u>	<u>\$ 54,184</u>	<u>\$ 29,836</u>	<u>\$ 0</u>

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

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

	Budgeted Funds		
	Planning and Preparedness Fund	Emergency Management Fund	Citizens Emergency Response Fund
RECEIPTS			
Taxes	\$	\$	\$
In Lieu Tax Payments			
Excess Fees			
Licenses and Permits			
Intergovernmental		13,820	
Charges for Services			
Miscellaneous			
Interest			
Total Receipts	<u> </u>	<u>13,820</u>	<u> </u>
DISBURSEMENTS			
General Government			
Protection to Persons and Property		13,910	
General Health and Sanitation			
Social Services			
Recreation and Culture			
Roads			
Debt Service			
Capital Projects			
Administration			
Total Disbursements	<u> </u>	<u>13,910</u>	<u> </u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u> </u>	<u>(90)</u>	<u> </u>
Other Adjustments to Cash (Uses)			
Financing Obligation Proceeds Borrowed Money			
Transfers From Other Funds			
Transfers To Other Funds		(5,154)	
Total Other Adjustments to Cash (Uses)	<u> </u>	<u>(5,154)</u>	<u> </u>
Net Change in Fund Balance		(5,244)	
Fund Balance - Beginning	<u>2,500</u>	<u>7,557</u>	<u>3,821</u>
Fund Balance - Ending	<u>\$ 2,500</u>	<u>\$ 2,313</u>	<u>\$ 3,821</u>
Composition of Fund Balance			
Bank Balance	\$ 2,500	\$ 2,313	\$ 3,821
Plus: Deposits In Transit			
Less: Outstanding Checks	<u> </u>	<u> </u>	<u> </u>
Fund Balance - Ending	<u>\$ 2,500</u>	<u>\$ 2,313</u>	<u>\$ 3,821</u>

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

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

<u>Unbudgeted Fund</u>	
<u>Jail Commissary Fund</u>	<u>Total Funds</u>
\$	\$ 1,763,622
	18,794
	104,129
	12,685
	2,532,018
	692,878
51,493	456,776
	2,639
<u>51,493</u>	<u>5,583,541</u>
	789,523
	1,856,680
	105,757
	177,484
51,760	99,087
	1,446,958
	204,298
	68,724
	1,152,374
<u>51,760</u>	<u>5,900,885</u>
<u>(267)</u>	<u>(317,344)</u>
	121,755
	150
	1,179,161
	<u>(1,179,161)</u>
	121,905
<u>(267)</u>	<u>(195,439)</u>
15,947	439,231
<u>\$ 15,680</u>	<u>\$ 243,792</u>
\$ 14,915	\$ 323,762
987	987
<u>(222)</u>	<u>(80,957)</u>
<u>\$ 15,680</u>	<u>\$ 243,792</u>

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

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENT**

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ESTILL COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2016

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statement of Estill County includes all budgeted and unbudgeted funds under the control of the Estill 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.

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.

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

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 government, 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.

State Grants Fund - The primary purpose of this fund is to account for state grants. The primary source of revenue for this fund is state grants.

Emergency Services Communication Fund - The primary purpose of this fund is to account for surcharges received from the emergency management communication tower. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the general fund.

Search and Rescue Fund - The primary purpose of this fund is to account for emergency equipment disbursements of the county. The primary sources of receipts for this fund are federal and state grants.

Chemical Stockpile Emergency Preparedness Program (CSEPP) Fund - The primary purpose of this fund is to account for federal CSEPP grant monies, which is the only source of revenue for this fund. Estill County is part of a ten county region in Kentucky that receives federal grant monies to improve their capacity to plan for and respond to accidents associated with the Bluegrass Army Depot's chemical warfare materials located in neighboring Madison County. The U.S. Congress appropriates funding for reimbursement of CSEPP disbursements. CSEPP funds may not be commingled with other funds, therefore the Department for Local Government and the federal government require the fiscal court to maintain these receipts and disbursements separately from the general fund.

911/CMRS Fund - The primary purpose of this fund is to account for the surcharge taxes for Commercial Mobile Radio Systems (CMRS). The state distributes CMRS monies to counties to supplement 911 operations. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the general fund.

Homeland Security Grant Fund - The primary purpose of this fund is to account for Homeland Security grant money, which is the only source of revenue for this fund.

Planning and Preparedness Fund - The primary purpose of this fund is to account for state grants used for planning and preparedness for disasters and emergencies in the county.

Emergency Management Fund - The primary purpose of this fund is to account for emergency management grant money, which is the only source of revenue for this fund.

Citizens Emergency Response Fund - The primary purpose of this fund is to account for grant money associated with the Central Kentucky Emergency Response Team to help protect the citizens of Estill County.

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Unbudgeted Funds

The fiscal court reports the following unbudgeted fund:

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

D. Budgetary Information

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

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

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 jail commissary fund to be budgeted because the fiscal court does not approve the expenses of this fund.

E. Estill County Elected Officials

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

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.

Custodial Credit Risk - Deposits

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

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

Note 3. Transfers

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

	General Fund	Road Fund	911/CMRS Fund	Emergency Management Fund	Total Transfers In
General Fund	\$	\$ 182,507	\$ 160,000	\$ 5,154	\$ 347,661
Road Fund	81,000				81,000
Jail Fund	750,500				750,500
Total Transfers Out	<u>\$ 831,500</u>	<u>\$ 182,507</u>	<u>\$ 160,000</u>	<u>\$ 5,154</u>	<u>\$ 1,179,161</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. Long-term Debt

A. Financing Obligation - Refinancing

On December 31, 2004, Estill County entered into an \$825,000 lease agreement with the Kentucky Association of Counties. The purpose of this lease was to retire a portion of the county's outstanding debt and requires monthly principal and interest payments, with the final payment due on May 20, 2017. As of June 30, 2016, the principal outstanding was \$46,716. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Interest
2017	\$ 46,716	\$ 1,483
Totals	<u>\$ 46,716</u>	<u>\$ 1,483</u>

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

Note 4. Long-term Debt (Continued)

B. Financing Obligation - Refinance of Short-term Debt

On August 11, 2015, Estill County renewed a bank note with a local bank for \$67,679. The purpose of the original note was to pay off the short term debt that was needed to cover payroll and other operating expenses on July 11, 2011. This is a three year note, which requires two annual principal payments of \$10,000 and two annual interest payments, beginning August 11, 2016, with the remaining balance due on August 11, 2018. A \$10,000 principal payment was made in August 2015. As of June 30, 2016, the principal outstanding was \$57,679. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Interest
2017	\$ 10,000	\$ 3,460
2018	10,000	2,861
2019	37,679	2,261
Totals	<u>\$ 57,679</u>	<u>\$ 8,582</u>

C. Financing Obligation - Road Equipment

On November 22, 2013, Estill County entered into a \$97,933 lease agreement for the purchase of a truck. This is a four year lease, which requires annual principal and interest payments. As of June 30, 2016, the principal outstanding was \$39,890. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Interest
2017	\$ 19,578	\$ 1,496
2018	20,312	761
Totals	<u>\$ 39,890</u>	<u>\$ 2,257</u>

D. Financing Obligation - Borrowed Money

On May 7, 2015, Estill County borrowed \$200,580 from a local bank for operating purposes. The loan calls for 24 monthly payments of \$8,801, beginning on June 7, 2015, with the final payment due on May 7, 2017. As of June 30, 2016, the principal outstanding was \$94,435. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Interest
2017	\$ 94,435	\$ 2,376
Totals	<u>\$ 94,435</u>	<u>\$ 2,376</u>

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

Note 4. Long-term Debt (Continued)

E. Financing Obligation - Backhoe

On April 12, 2016, Estill County entered into a \$79,046 lease agreement for the purchase of a backhoe. This is a five year lease, which requires 60 monthly payments of \$1,452. As of June 30, 2016, the principal outstanding was \$76,652. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Interest
2017	\$ 14,698	\$ 2,729
2018	15,282	2,145
2019	15,889	1,539
2020	16,517	910
2021	14,266	257
Totals	<u>\$ 76,652</u>	<u>\$ 7,580</u>

F. Financing Obligation - Two Trucks

On May 9, 2016, Estill County borrowed \$42,709 from a local bank for the purchase of two trucks. The loan calls for 24 monthly payments of \$1,855, beginning on June 23, 2016, with the final payment due on May 23, 2018. As of June 30, 2016, the principal outstanding was \$41,057. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Interest
2017	\$ 21,044	\$ 1,211
2018	20,013	388
Totals	<u>\$ 41,057</u>	<u>\$ 1,599</u>

G. Changes In Long-term Debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Financing Obligations	\$ 420,136	\$ 121,905	\$ 185,612	\$ 356,429	\$ 206,471
Total Long-term Debt	<u>\$ 420,136</u>	<u>\$ 121,905</u>	<u>\$ 185,612</u>	<u>\$ 356,429</u>	<u>\$ 206,471</u>

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

Note 5. Employee Retirement System

A. Plan Description

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

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

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

The county's contribution for FY 2014 was \$289,931, FY 2015 was \$315,006, and FY 2016 was \$315,032.

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

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

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

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

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

Note 5 Employee Retirement System (Continued)

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

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

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

Note 6. Deferred Compensation

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

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

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

Note 7. Insurance

For the fiscal year ended June 30, 2016, the Estill 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.

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

Note 8. Conduit Debt

From time to time the county has issued bonds to provide financial assistance to others for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest, in accordance with KRS 103.210. This debt may take the form of certain types of limited-obligation revenue bonds, certificates of participation, or similar debt instruments. Although conduit debt obligations bear Estill County's name as issuer, the fiscal court has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf it is issued. Neither the fiscal court nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statement. Conduit debt has been issued but the amount currently outstanding is not reasonably determinable as of June 30, 2016.

ESTILL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2016

ESTILL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2016

	GENERAL FUND			
	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 1,674,750	\$ 1,674,750	\$ 1,753,249	\$ 78,499
In Lieu Tax Payments	6,000	6,000	8,387	2,387
Excess Fees			104,129	104,129
Licenses and Permits	14,500	14,500	12,685	(1,815)
Intergovernmental	182,250	182,250	155,992	(26,258)
Charges for Services	377,562	377,562	307,356	(70,206)
Miscellaneous	452,919	452,919	386,768	(66,151)
Interest	4,100	4,100	2,619	(1,481)
Total Receipts	<u>2,712,081</u>	<u>2,712,081</u>	<u>2,731,185</u>	<u>19,104</u>
DISBURSEMENTS				
General Government	711,895	801,332	780,572	20,760
Protection to Persons and Property	737,750	374,357	360,047	14,310
General Health and Sanitation	73,850	91,669	88,891	2,778
Social Services	155,650	181,262	177,484	3,778
Recreation and Culture		32,847	32,838	9
Debt Service	56,500	179,705	178,465	1,240
Capital Projects		23,000	22,507	493
Administration	836,907	688,380	648,588	39,792
Total Disbursements	<u>2,572,552</u>	<u>2,372,552</u>	<u>2,289,392</u>	<u>83,160</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>139,529</u>	<u>339,529</u>	<u>441,793</u>	<u>102,264</u>
Other Adjustments to Cash (Uses)				
Borrowed Money			150	150
Transfers From Other Funds	107,190	107,190	347,661	240,471
Transfers To Other Funds	<u>(303,019)</u>	<u>(303,019)</u>	<u>(831,500)</u>	<u>(528,481)</u>
Total Other Adjustments to Cash (Uses)	<u>(195,829)</u>	<u>(195,829)</u>	<u>(483,689)</u>	<u>(287,860)</u>
Net Change in Fund Balance	(56,300)	143,700	(41,896)	(185,596)
Fund Balance Beginning	<u>56,300</u>	<u>56,300</u>	<u>53,527</u>	<u>(2,773)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 200,000</u>	<u>\$ 11,631</u>	<u>\$ (188,369)</u>

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

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
In Lieu Tax Payments	\$ 17,000	\$ 17,000	\$ 10,407	\$ (6,593)
Intergovernmental	1,415,270	1,415,270	1,354,334	(60,936)
Charges for Services	550,000	550,000	250,000	(300,000)
Miscellaneous	3,000	3,000	13,616	10,616
Interest	100	100		(100)
Total Receipts	<u>1,985,370</u>	<u>1,985,370</u>	<u>1,628,357</u>	<u>(357,013)</u>
DISBURSEMENTS				
Roads	1,485,729	1,525,316	1,446,958	78,358
Debt Service	48,500	54,132	25,833	28,299
Capital Projects	150,000	95,000	46,217	48,783
Administration	367,500	297,281	224,393	72,888
Total Disbursements	<u>2,051,729</u>	<u>1,971,729</u>	<u>1,743,401</u>	<u>228,328</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(66,359)</u>	<u>13,641</u>	<u>(115,044)</u>	<u>(128,685)</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds			121,755	121,755
Transfers From Other Funds	107,190	107,190	81,000	(26,190)
Transfers To Other Funds	<u>(107,190)</u>	<u>(107,190)</u>	<u>(182,507)</u>	<u>(75,317)</u>
Total Other Adjustments to Cash (Uses)			<u>20,248</u>	<u>20,248</u>
Net Change in Fund Balance	(66,359)	13,641	(94,796)	(108,437)
Fund Balance Beginning	<u>66,359</u>	<u>66,359</u>	<u>95,007</u>	<u>28,648</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 80,000</u>	<u>\$ 211</u>	<u>\$ (79,789)</u>

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

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 370,000	\$ 370,000	\$	\$ (370,000)
Intergovernmental	94,935	94,935	91,682	(3,253)
Charges for Services	10,000	10,000	8,480	(1,520)
Miscellaneous	3,500	3,500	774	(2,726)
Interest	50	50	18	(32)
Total Receipts	<u>478,485</u>	<u>478,485</u>	<u>100,954</u>	<u>(377,531)</u>
DISBURSEMENTS				
Protection to Persons and Property	529,885	742,088	684,924	57,164
Debt Service	14,029	1,396		1,396
Administration	131,400	211,830	179,432	32,398
Total Disbursements	<u>675,314</u>	<u>955,314</u>	<u>864,356</u>	<u>90,958</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(196,829)</u>	<u>(476,829)</u>	<u>(763,402)</u>	<u>(286,573)</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	195,829	195,829	750,500	554,671
Total Other Adjustments to Cash (Uses)	<u>195,829</u>	<u>195,829</u>	<u>750,500</u>	<u>554,671</u>
Net Change in Fund Balance	(1,000)	(281,000)	(12,902)	268,098
Fund Balance Beginning	<u>1,000</u>	<u>1,000</u>	<u>16,742</u>	<u>15,742</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (280,000)</u>	<u>\$ 3,840</u>	<u>\$ 283,840</u>

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

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 9,500	\$ 9,500	\$ 10,373	\$ 873
Intergovernmental	45,000	45,000	17,395	(27,605)
Miscellaneous			125	125
Interest	50	50	2	(48)
Total Receipts	<u>54,550</u>	<u>54,550</u>	<u>27,895</u>	<u>(26,655)</u>
DISBURSEMENTS				
General Government	12,500	12,500	8,951	3,549
Protection to Persons and Property	18,000	16,189	2,710	13,479
General Health and Sanitation	1,000	1,000	100	900
Social Services	6,000	6,000		6,000
Recreation and Culture	9,000	15,239	14,489	750
Roads	9,500	6,072		6,072
Administration	4,000	3,000	1,837	1,163
Total Disbursements	<u>60,000</u>	<u>60,000</u>	<u>28,087</u>	<u>31,913</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(5,450)</u>	<u>(5,450)</u>	<u>(192)</u>	<u>5,258</u>
Net Change in Fund Balance	(5,450)	(5,450)	(192)	5,258
Fund Balance Beginning	<u>5,450</u>	<u>5,450</u>	<u>447</u>	<u>(5,003)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 255</u>	<u>\$ 255</u>

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

	STATE GRANTS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 48,000	\$ 48,000	\$ 57,948	\$ 9,948
Charges for Services	5,000	5,000	660	(4,340)
Miscellaneous	12,500	12,500	4,000	(8,500)
Total Receipts	<u>65,500</u>	<u>65,500</u>	<u>62,608</u>	<u>(2,892)</u>
DISBURSEMENTS				
Protection to Persons and Property	21,000	21,000	16,868	4,132
General Health and Sanitation	27,000	31,710	16,766	14,944
Capital Projects	12,000	12,000		12,000
Administration	5,500	790		790
Total Disbursements	<u>65,500</u>	<u>65,500</u>	<u>33,634</u>	<u>31,866</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			<u>28,974</u>	<u>28,974</u>
Net Change in Fund Balance			28,974	28,974
Fund Balance Beginning			<u>20,652</u>	<u>20,652</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 49,626</u>	<u>\$ 49,626</u>

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

EMERGENCY SERVICES COMMUNICATION FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Charges for Services	\$ 15,000	\$ 15,000	\$ 20,605	\$ 5,605
Interest	50	50		(50)
Total Receipts	<u>15,050</u>	<u>15,050</u>	<u>20,605</u>	<u>5,555</u>
DISBURSEMENTS				
Protection to Persons and Property	35,000	41,550	24,874	16,676
Administration	10,050	3,500		3,500
Total Disbursements	<u>45,050</u>	<u>45,050</u>	<u>24,874</u>	<u>20,176</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(30,000)</u>	<u>(30,000)</u>	<u>(4,269)</u>	<u>25,731</u>
Net Change in Fund Balance	(30,000)	(30,000)	(4,269)	25,731
Fund Balance Beginning	<u>30,000</u>	<u>30,000</u>	<u>74,164</u>	<u>44,164</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 69,895</u>	<u>\$ 69,895</u>

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

SEARCH AND RESCUE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,000	\$ 1,000	\$	\$ (1,000)
Total Receipts	1,000	1,000		(1,000)
DISBURSEMENTS				
Protection to Persons and Property	500	500		500
Administration	500	500		500
Total Disbursements	1,000	1,000		1,000
Net Change in Fund Balance				
Fund Balance Beginning				
Fund Balance - Ending	\$ 0	\$ 0	\$ 0	\$ 0

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

	CSEPP FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 852,000	\$ 852,000	\$ 840,847	\$ (11,153)
Total Receipts	<u>852,000</u>	<u>852,000</u>	<u>840,847</u>	<u>(11,153)</u>
DISBURSEMENTS				
Protection to Persons and Property	2,701,113	2,720,925	742,264	1,978,661
Administration	274,947	255,135	98,124	157,011
Total Disbursements	<u>2,976,060</u>	<u>2,976,060</u>	<u>840,388</u>	<u>2,135,672</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(2,124,060)</u>	<u>(2,124,060)</u>	459	2,124,519
Net Change in Fund Balance	(2,124,060)	(2,124,060)	459	2,124,519
Fund Balance Beginning	<u>2,124,060</u>	<u>2,124,060</u>	<u>53,725</u>	<u>(2,070,335)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 54,184</u>	<u>\$ 54,184</u>

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

	911/CMRS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Charges for Services	\$ 122,500	\$ 122,500	\$ 105,777	\$ (16,723)
Total Receipts	<u>122,500</u>	<u>122,500</u>	<u>105,777</u>	<u>(16,723)</u>
DISBURSEMENTS				
Protection to Persons and Property	114,500	114,500	11,083	103,417
Administration	58,000	58,000		58,000
Total Disbursements	<u>172,500</u>	<u>172,500</u>	<u>11,083</u>	<u>161,417</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(50,000)</u>	<u>(50,000)</u>	<u>94,694</u>	<u>144,694</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds			(160,000)	(160,000)
Total Other Adjustments to Cash (Uses)			<u>(160,000)</u>	<u>(160,000)</u>
Net Change in Fund Balance	(50,000)	(50,000)	(65,306)	(15,306)
Fund Balance Beginning	50,000	50,000	95,142	45,142
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 29,836</u>	<u>\$ 29,836</u>

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

HOMELAND SECURITY GRANT FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,000	\$ 1,000	\$	\$ (1,000)
Total Receipts	1,000	1,000		(1,000)
DISBURSEMENTS				
Protection to Persons and Property	1,000	1,000		1,000
Total Disbursements	1,000	1,000		1,000
Net Change in Fund Balance				
Fund Balance Beginning				
Fund Balance - Ending	\$ 0	\$ 0	\$ 0	\$ 0

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

PLANNING AND PREPAREDNESS FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 2,500	\$ 2,500	\$	\$ (2,500)
Total Receipts	<u>2,500</u>	<u>2,500</u>		<u>(2,500)</u>
DISBURSEMENTS				
Protection to Persons and Property	2,500	2,500		2,500
Total Disbursements	<u>2,500</u>	<u>2,500</u>		<u>2,500</u>
Net Change in Fund Balance				
Fund Balance Beginning			<u>2,500</u>	<u>2,500</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,500</u>	<u>\$ 2,500</u>

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

EMERGENCY MANAGEMENT FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 15,000	\$ 15,000	\$ 13,820	\$ (1,180)
Total Receipts	<u>15,000</u>	<u>15,000</u>	<u>13,820</u>	<u>(1,180)</u>
DISBURSEMENTS				
Protection to Persons and Property	15,000	15,000	13,910	1,090
Total Disbursements	<u>15,000</u>	<u>15,000</u>	<u>13,910</u>	<u>1,090</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			<u>(90)</u>	<u>(90)</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds			(5,154)	(5,154)
Total Other Adjustments to Cash (Uses)			<u>(5,154)</u>	<u>(5,154)</u>
Net Change in Fund Balance			(5,244)	(5,244)
Fund Balance Beginning			<u>7,557</u>	<u>7,557</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,313</u>	<u>\$ 2,313</u>

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

CITIZENS EMERGENCY RESPONSE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Charges for Services	\$ 1,000	\$ 1,000	\$	\$ (1,000)
Total Receipts	1,000	1,000		(1,000)
DISBURSEMENTS				
Protection to Persons and Property	5,000	5,000		5,000
Total Disbursements	5,000	5,000		5,000
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(4,000)	(4,000)		4,000
Net Change in Fund Balance	(4,000)	(4,000)		4,000
Fund Balance Beginning	4,000	4,000	3,821	(179)
Fund Balance - Ending	\$ 0	\$ 0	\$ 3,821	\$ 3,821

ESTILL COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2016

Note 1. Budgetary Information

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

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

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

ESTILL COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2016

ESTILL COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2016

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 575,000	\$ 28,227	\$	\$ 603,227
Construction In Progress	147,347	41,333		188,680
Buildings	5,707,396			5,707,396
Equipment	4,220,542	91,546		4,312,088
Vehicles	1,538,247	69,431	37,897	1,569,781
Infrastructure	5,157,496	481,941		5,639,437
Total Capital Assets	<u>\$ 17,346,028</u>	<u>\$ 712,478</u>	<u>\$ 37,897</u>	<u>\$ 18,020,609</u>

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

June 30, 2016

Note 1. Capital Assets

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

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 25,000	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Equipment	\$ 10,000	3-25
Vehicles	\$ 10,000	5-10
Infrastructure	\$ 20,000	10-50

ESTILL COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2016

ESTILL COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity's Identifying Number	Total Federal Expenditures
<u>U. S. Department of Homeland Security</u>			
<i>Passed-Through Kentucky Department of Military Affairs</i>			
Chemical Stockpile Emergency Preparedness Program	97.040	EMA - 2016 - 5678	* \$ 840,388
Public Assistance Grant	97.036	FEMA DR 4216, 4217, 4218, & 4239	270,840
Emergency Management Performance Grant	97.042	PON2-095-1600002148-1	<u>13,910</u>
Total U.S. Department of Homeland Security			<u>1,125,138</u>
Total Expenditures of Federal Awards			<u>\$ 1,125,138</u>

* Tested as a major program

ESTILL COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2016

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Estill County Fiscal Court under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Estill County Fiscal Court, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Estill County Fiscal Court.

Note 2. Summary of Significant Accounting Policies

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

Note 3. Indirect Cost Rate

The Estill County Fiscal Court has not adopted an indirect cost rate.

**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***

TEDDY MICHAEL PRATER CPA, PLLC
HC 62 Box 291
Salyersville, KY 41465
Telephone (606) 349-8042

The Honorable Wallace Taylor, Estill County Judge/Executive
Members of the Estill 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 Estill County Fiscal Court for the fiscal year ended June 30, 2016, and the related notes to the financial statement which collectively comprise the Estill County Fiscal Court's financial statement and have issued our report thereon dated November 21, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Estill 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 Estill County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Estill County Fiscal Court's internal control.

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. *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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Estill County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2016-001, 2016-002, and 2016-003.

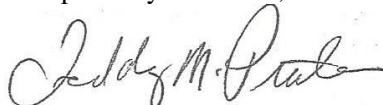
Views of Responsible Officials and Planned Corrective Action

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

Purpose of this Report

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

Respectfully submitted,



Teddy Michael Prater CPA, PLLC

November 21, 2016

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

TEDDY MICHAEL PRATER CPA, PLLC
HC 62 Box 291
Salyersville, KY 41465
Telephone (606) 349-8042

The Honorable Wallace Taylor, Estill County Judge/Executive
Members of the Estill County Fiscal Court

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

Independent Auditor's Report

Report on Compliance for Each Major Federal Program

We have audited the Estill County Fiscal Court's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the Estill County Fiscal Court's major federal programs for the fiscal year ended June 30, 2016. The Estill County Fiscal Court's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs.

Auditor's Responsibility

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

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

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

Opinion on Each Major Federal Program

In our opinion, the Estill County Fiscal Court complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2016.

Report on Internal Control over Compliance

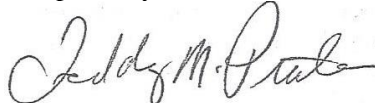
Management of the Estill County Fiscal Court is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Estill County Fiscal Court's internal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

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

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

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

Respectfully submitted,



Teddy Michael Prater CPA, PLLC

November 21, 2016

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

For The Year Ended June 30, 2016

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

Fiscal Year Ended June 30, 2016

Section I: Summary of Auditor's Results

Type of report auditor issued on whether the financial statements audited were prepared in accordance with the regulatory basis of accounting: Unmodified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
CFDA #97.040	Chemical Stockpile Emergency Preparedness Program

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

ESTILL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2016
(Continued)

Section II: Financial Statement Findings

State Laws And Regulations

2016-001 The Fiscal Court Did Not Follow Proper Procedures For Disbursements

Procedures regarding the documentation, preparation, and authorization of disbursements were not adequate for items tested and resulted in the following findings:

- Ten invoices totaling \$677,110 were not paid timely within 30 days; including an invoice for \$409,000 that was not paid within 90 days.
- Two trucks, purchased for \$39,800, with two checks to the same vendor on the same day were not bid.
- Eighteen checks were not signed by the treasurer, but by another individual that had been given signature authority at the bank, during an extended absence of the treasurer and after her return.
- Six checks totaling \$81,400 were not approved by the fiscal court.
- One invoice for \$12,500 was not supported by a purchase order approved by the fiscal court.

Basic internal controls require that adequate original supporting documentation should be maintained for all disbursements and that approval be obtained before payment. All purchase orders should be approved and issued before the work or service is performed. Original invoices should be maintained with supporting documentation, agreed to the corresponding purchase orders, cancelled upon payment, and paid within thirty days. Duties should be adequately segregated to ensure that no one person has complete control over the fiscal court financial activity.

Without purchase orders and invoices with adequate information, there is not proper justification for the disbursement. All purchase orders should have the approval of the department head and/or county judge/executive (or their designee). Adequate, original documentation should be provided and reviewed to ensure all expenditures are valid obligations of the county.

The State Local Finance Officer, given the authority by KRS 68.210, requires all disbursements to be accompanied by a purchase order, within budgeted amounts, and sufficiently documented.

Guidance regarding fiscal court approval is outlined in KRS 68.275(2) which states “[t]he county judge/executive shall present all claims to the fiscal court for review prior to payment. . .” Failure to adhere to the guidelines increases the risk that disbursements will be materially misstated or funds will be misappropriated.

KRS 68.010 allows the fiscal court to appoint an acting treasurer during the extended absence of the treasurer. “If, at any time, the county treasurer is unable to perform the duties of this office because of illness, physical or mental incapacity, or other cause beyond her control for more than thirty (30) days. . .then the fiscal court shall appoint, at either a regular term or a special term called by the county judge/executive, an acting county treasurer to serve until the current county treasurer is able to resume the performance of his duties. . . As soon as the treasurer is reinstated, the acting county treasurer shall cease to act as county treasurer and shall turn over to the county judge/executive all records and accounts and shall make a final settlement with the fiscal court within thirty (30) days.”

KRS 65.140(2) states that “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.” If payment of invoices exceeds 30 days, a one percent interest penalty should be added.

**ESTILL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2016
(Continued)**

Section II: Financial Statement Findings (Continued)

State Laws And Regulations (Continued)

2016-001 The Fiscal Court Did Not Follow Proper Procedures For Disbursements (Continued)

Competitive bidding ensures that the fiscal court procures materials and services at the best price available. KRS 424.260 states “[e]xcept where a statute specifically fixes a larger sum as the minimum for a requirement of advertisement for bids, no city, county, or district, or board or commission of a city or county, or sheriff or county clerk, may make a contract, lease, or other agreement for materials, supplies except for perishable meat, fish, and vegetables, equipment, or for contractual services other than professional, involving an expenditure of more than twenty thousand dollars (\$20,000) without first making newspaper advertisement for bids.” In addition, the Department for Local Government’s *County Budget Preparation and State Local Finance Officer Policy Manual* states, “[a]ll contracts, invoices, purchase orders & authorizations, vendor bidding documentation, receipts, deeds, etc. must be maintained/filed with the asset documentation records.”

We recommend the fiscal court implement proper accounting procedures and internal controls over disbursements. The fiscal court should maintain purchase orders, original invoices and supporting documentation, and ensure that all disbursements are approved by the fiscal court and that all checks are signed by the county treasurer.

We also recommend the fiscal court ensure that all invoices are paid within 30 days as required by KRS 65.140. All department heads should be instructed to date stamp invoices when received to help ensure that payment is made timely.

We further recommend the fiscal court follow the requirements of KRS 424.260 and properly advertise and award bids for all purchases over \$20,000 or purchase items from state contract vendors. Every purchase should have adequate supporting documentation, which includes bid documentation.

Views of Responsible Officials and Planned Corrective Action:

County Judge/Executive’s Response: That was 2 different purchases that the court agreed to.

County Treasurer’s Response: After reviewing my timecards, I have found that I was absent on the dates of the checks.

Auditor’s Reply: No corrective action plan was provided.

2016-002 The Fiscal Court Did Not Report Encumbrances On The Fourth Quarter Financial Report

The fiscal court did not report encumbrances on the fourth quarter financial report as required by the Department for Local Government (DLG). KRS 68.210 requires the State Local Finance Officer to create a system of uniform accounts for all counties and county officials. The *County Budget Preparation and State Local Finance Officer Policy Manual* requires the county to disclose encumbrances on the face of the fourth quarter financial report. Not reporting encumbrances will reflect inaccurate cash balances and fail to alert management to any possible cash flow issues. We recommend the fiscal court maintain a listing of the outstanding purchase orders that support the encumbrance total and report encumbrances on the fourth quarter financial report.

ESTILL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2016
(Continued)

Section II: Financial Statement Findings (Continued)

State Laws And Regulations (Continued)

2016-002 The Fiscal Court Did Not Report Encumbrances On The Fourth Quarter Financial Report
 (Continued)

Views of Responsible Officials and Planned Corrective Action:

County Judge/Executive's Response: Working on improving.

County Treasurer's Response: This finding has been repeated in prior audit. Fiscal court does have a manual purchase order system in place, head of departments must call in to receive number for each purchase. Fiscal court finances are maintained via [vendor] software which has purchase order with tracking system, however purchase orders are issued manually at this time.

Auditor's Reply: No corrective action plan was provided.

2016-003 The Jail Did Not Maintain Adequate Accounting Controls Over The Jail Commissary Fund

We found that the inmate account receipts collected at the jail were not deposited on a daily basis. Daily deposits are required by the minimum accounting and reporting standards as prescribed by the State Local Finance Officer pursuant to KRS 68.210. Deposits were made at the jailer's discretion, at the middle and end of each month, during the fiscal year. The jail receives a significant amount of cash receipts. Due to the high risk associated with cash, it is crucial that the jailer make daily deposits. KRS 68.210 requires the State Local Finance officer to create a system of uniform accounts for all counties and county officials. The *County Budget Preparation and State Local Finance Officer Policy Manual* requires that daily deposits be made intact to a federally insured financial institution.

Also, the jailer did not prepare and present a financial statement for the commissary account to the county treasurer for fiscal year 2016. And during the fiscal year, the jail did not reconcile monthly bank statements.

KRS 68.210 requires the State Local Finance Officer to create a system of uniform accounts for all counties and county officials. The *County Budget Preparation and State Local Finance Officer Policy Manual*, under "Jail Commissary Fund" instructions provides minimum accounting and reporting standards. It requires a jail commissary year to date summary compiled with information obtained from receipts and disbursements journals. The ending balance reported on the summary is reconciled to the bank balance. This summary is sufficient to use as the required year-end report that is to be submitted to the county treasurer. Also, an independent person should reconcile the bank account monthly to the receipts and disbursements ledgers.

We recommend the jailer make it a practice to deposit inmate account receipts on a daily basis and reconcile bank statements each month. At fiscal year-end, a detailed and accurate financial statement should be compiled using financial information from receipts and disbursement journals. The ending balance should be reconciled to the bank balance. It is further recommended that this report be submitted to the county treasurer as the year-end report.

Views of Responsible Official and Planned Corrective Action:

County Jailer's Response: Commissary money shall be deposited in a more timely manner. Shall give end of year report to treasurer.

**ESTILL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2016
(Continued)**

Section III: Findings And Questioned Costs - Major Federal Awards Program Audit

None.

Section IV: Summary Schedule of Prior Audit Findings

Corrective action was taken, therefore the following prior year audit findings were not repeated:

- 2015-002 The Fiscal Court Should Approve Annually A Salary Schedule
- 2015-003 The County Should Repay Operating Loans By June 30
- 2015-005 Excess Restricted Road Funds Of \$78,648 Were Transferred To The General Fund, Increasing To \$85,557 The Liability Owed From The General Fund To The Road Fund
- 2015-006 The Fiscal Court Had Actual Disbursements In Excess Of Budgeted Disbursements

The following prior year audit findings were not fully corrected, and therefore are repeated:

- 2015-001 The County Should Pay Invoices Within 30 Working Days
- 2015-004 The Jailer Should Deposit All Funds Daily
- 2015-007 The Jailer Lacks Adequate Segregation Of Duties Over The Accounting Functions Of The Jail Commissary Fund

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

ESTILL COUNTY FISCAL COURT

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

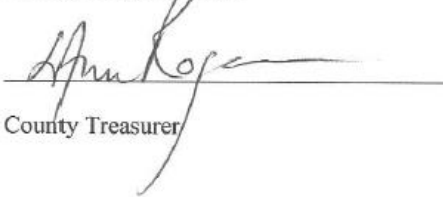
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
ESTILL COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2016

The Estill 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

