

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

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



**MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

AUDIT OF THE
OHIO COUNTY FISCAL COURT

June 30, 2016

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

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

Financial Condition:

The Ohio County Fiscal Court had total receipts of \$11,588,584 and disbursements of \$12,106,811 in fiscal year 2016. This resulted in a total ending fund balance of \$3,257,754, which is a decrease of \$143,353 from the prior year.

Findings:

- 2016-001 The Ohio County Detention Center Lacks Adequate Controls Over Commissary Transactions And Inmate Fees
- 2016-002 The Ohio County Detention Center Did Not Properly Utilize Their Accounting Software To Maintain Records
- 2016-003 The Ohio County Detention Center Did Not Maintain All Inmate Reports
- 2016-004 The Ohio County Detention Center Did Not Have Policies And Procedures Over The Cash System
- 2016-005 The Ohio County Fiscal Court Had Weak Internal Controls Over Occupational And Net Profit Taxes
- 2016-006 The Ohio County Fiscal Court Had Weak Internal Controls At The Golf Course And Daily Deposits Were Not Made
- 2016-007 The Ohio County Detention Center Did Not Make Daily Deposits Or Submit Fees To The County Treasurer Timely
- 2016-008 The Ohio County Detention Center Commingled Public And Private Funds
- 2016-009 The Ohio County Detention Center Did Not Have An Updated Fee Schedule Approved By The Fiscal Court

Deposits:

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

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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 David Johnston, Ohio County Judge/Executive
Members of the Ohio 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 Ohio County Fiscal Court, for the year ended June 30, 2016, and the related notes to the financial statement which collectively comprise the Ohio County Fiscal Court's financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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



To the People of Kentucky
Honorable Matthew G. Bevin, Governor
William M. Landrum III, Secretary
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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 Ohio 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 Ohio 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 Ohio 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 Ohio County Fiscal Court. The Budgetary Comparison Schedules and Capital Asset Schedule are presented for purposes of additional analysis and are not a required part of the financial statement; however, they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 12, 2017, on our consideration of the Ohio 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 Ohio County Fiscal Court's internal control over financial reporting and compliance.

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

- 2016-001 The Ohio County Detention Center Lacks Adequate Controls Over Commissary Transactions And Inmate Fees
- 2016-002 The Ohio County Detention Center Did Not Properly Utilize Their Accounting Software To Maintain Records
- 2016-003 The Ohio County Detention Center Did Not Maintain All Inmate Reports
- 2016-004 The Ohio County Detention Center Did Not Have Policies And Procedures Over The Cash System
- 2016-005 The Ohio County Fiscal Court Had Weak Internal Controls Over Occupational And Net Profit Taxes
- 2016-006 The Ohio County Fiscal Court Had Weak Internal Controls At The Golf Course And Daily Deposits Were Not Made
- 2016-007 The Ohio County Detention Center Did Not Make Daily Deposits Or Submit Fees To The County Treasurer Timely
- 2016-008 The Ohio County Detention Center Commingled Public And Private Funds
- 2016-009 The Ohio County Detention Center Did Not Have An Updated Fee Schedule Approved By The Fiscal Court

Respectfully submitted,



Mike Harmon
 Auditor of Public Accounts

July 12, 2017

OHIO COUNTY OFFICIALS

For The Year Ended June 30, 2016

Fiscal Court Members:

David Johnston	County Judge/Executive
Sam Small	Magistrate
Jason Bullock	Magistrate
Joe Barnes	Magistrate
Larry Keown	Magistrate
Larry Morpew	Magistrate

Other Elected Officials:

Justin Keown	County Attorney
Gerry Wright	Jailer
Bess Ralph	County Clerk
Shannon Kirtley	Circuit Court Clerk
Tracy Beatty	Sheriff
Jason Chinn	Property Valuation Administrator
Larry Bevil	Coroner

Appointed Personnel:

Anne Melton	County Treasurer
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**OHIO COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS**

For The Year Ended June 30, 2016

OHIO 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	Local Government Economic Assistance Fund
RECEIPTS			
Taxes	\$ 4,102,897	\$	\$
In Lieu Tax Payments	115		
Licenses and Permits	104,025		
Intergovernmental	2,001,772	2,096,153	1,641,520
Charges for Services	196,878		
Miscellaneous	847,033	294,061	50,000
Interest	7,064	2,497	1,393
Total Receipts	<u>7,259,784</u>	<u>2,392,711</u>	<u>1,692,913</u>
DISBURSEMENTS			
General Government	4,131,001		672,163
Protection to Persons and Property	1,479,885		332,065
General Health and Sanitation	202,300		
Social Services	281,915		2,763
Recreation and Culture	452,241		21,553
Airports	12,000		
Roads		2,262,069	706,743
Bus Services			44,362
Debt Service	149,455	325,543	
Capital Projects		281	
Administration	365,599	382,627	
Total Disbursements	<u>7,074,396</u>	<u>2,970,520</u>	<u>1,779,649</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>185,388</u>	<u>(577,809)</u>	<u>(86,736)</u>
Other Adjustments to Cash (Uses)			
Borrowed Money		374,874	
Transfers From Other Funds			
Transfers To Other Funds	(100,000)		
Total Other Adjustments to Cash (Uses)	<u>(100,000)</u>	<u>374,874</u>	
Net Change in Fund Balance	85,388	(202,935)	(86,736)
Fund Balance - Beginning (Restated)	1,839,342	633,119	622,228
Fund Balance - Ending	<u>\$ 1,924,730</u>	<u>\$ 430,184</u>	<u>\$ 535,492</u>
Composition of Fund Balance			
Bank Balance	\$ 2,208,013	\$ 510,896	\$ 614,226
Less: Outstanding Checks	(283,283)	(80,712)	(78,734)
Fund Balance - Ending	<u>\$ 1,924,730</u>	<u>\$ 430,184</u>	<u>\$ 535,492</u>

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

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

Budgeted Funds				
Federal/ State Grants Fund	Forest Fire Fund	Landfill Fund	Ohio County Economic Development Alliance Fund	Waterline Fund
\$	\$ 6,219	\$	\$	\$
25,000		90,065		90,065
	17	514	17,787	
<u>25,000</u>	<u>6,236</u>	<u>90,579</u>	<u>17,929</u>	<u>90,132</u>
			40,000	
	5,595	140,531		89,102
	<u>5,595</u>	<u>140,531</u>	<u>40,000</u>	<u>89,102</u>
25,000	641	(49,952)	(22,071)	1,030
(25,000)			125,000	
<u>(25,000)</u>			<u>125,000</u>	
	641	(49,952)	102,929	1,030
	4,832	211,423	53,774	23,000
<u>\$ 0</u>	<u>\$ 5,473</u>	<u>\$ 161,471</u>	<u>\$ 156,703</u>	<u>\$ 24,030</u>
\$	\$ 5,473	\$ 161,471	\$ 156,703	\$ 24,030
<u>\$ 0</u>	<u>\$ 5,473</u>	<u>\$ 161,471</u>	<u>\$ 156,703</u>	<u>\$ 24,030</u>

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

OHIO 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>
RECEIPTS		
Taxes	\$	\$ 4,109,116
In Lieu Tax Payments		115
Licenses and Permits		104,025
Intergovernmental		5,764,445
Charges for Services		377,008
Miscellaneous	13,300	1,222,181
Interest		11,694
Total Receipts	<u>13,300</u>	<u>11,588,584</u>
DISBURSEMENTS		
General Government		4,843,164
Protection to Persons and Property		1,817,545
General Health and Sanitation		342,831
Social Services		373,780
Recreation and Culture	7,018	480,812
Airports		12,000
Roads		2,968,812
Bus Services		44,362
Debt Service		474,998
Capital Projects		281
Administration		748,226
Total Disbursements	<u>7,018</u>	<u>12,106,811</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>6,282</u>	<u>(518,227)</u>
Other Adjustments to Cash (Uses)		
Borrowed Money		374,874
Transfers From Other Funds		125,000
Transfers To Other Funds		(125,000)
Total Other Adjustments to Cash (Uses)		<u>374,874</u>
Net Change in Fund Balance	6,282	(143,353)
Fund Balance - Beginning (Restated)	13,389	3,401,107
Fund Balance - Ending	<u>\$ 19,671</u>	<u>\$ 3,257,754</u>
Composition of Fund Balance		
Bank Balance	\$ 19,671	\$ 3,700,483
Less Outstanding Checks		<u>(442,729)</u>
Ending Fund Balance	<u>\$ 19,671</u>	<u>\$ 3,257,754</u>

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

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OHIO COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2016

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statement of Ohio County includes all budgeted and unbudgeted funds under the control of the Ohio 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 Ohio County Hospital Corporation 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. The audit of the Ohio County Hospital Corporation can be obtained from the Ohio County Fiscal Court, 130 East Washington Street, Suite 215, Hartford, Kentucky 42347.

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.

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

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

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.

Federal/State Grants Fund - The primary purpose of this fund is to account for federal and state grants and related disbursements. The primary sources of receipts for this fund are grants from the state and federal governments.

Forest Fire Fund - The primary purpose of this fund is to account for forest fire taxes received from the Ohio County Sheriff's department and disbursements related to fire protection.

Landfill Fund - The primary purpose of this fund is to account for landfill receipts and landfill project disbursements.

Ohio County Economic Development Alliance Fund - The primary purpose of this fund is to promote the growth and development of Ohio County's economic base, assist in the retention and expansion of existing businesses, and vigorously seek out new businesses for Ohio County. Activity of this fund includes low interest rate revolving loans to businesses.

Waterline Fund - The primary purpose of this fund is to account for waterline project disbursements. The primary source of receipts for this fund is landfill fees.

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.

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

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information (Continued)

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. Ohio County Elected Officials

Kentucky law provides for election of the officials listed below from the geographic area constituting Ohio 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 Ohio 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.

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

Note 2. Deposits

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

Custodial Credit Risk - Deposits

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

Note 3. Transfers

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

	General Fund	Federal/State Grants Fund	Total Transfers In
Ohio County Economic Development Alliance Fund	\$ 100,000	\$ 25,000	\$ 125,000
Total Transfers Out	<u>\$ 100,000</u>	<u>\$ 25,000</u>	<u>\$ 125,000</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. Receivables

A. Company A

The county loaned \$50,000 to a company on March 21, 2016, for the purpose of financing certain real estate. Terms of the agreement stipulate a 180 month repayment schedule at 2.63 percent interest. Records indicate the company is in substantial compliance with this requirement. As of June 30, 2016, the principal balance due was \$49,546.

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

Note 4. Receivables (Continued)

B. Company B

The county loaned \$75,000 to a company on June 11, 2015, for the purpose of financing certain real estate. Terms of the agreement stipulate a 180 month repayment schedule at 2.44 percent interest. Due to an increase in interest rates to 2.64 percent, the monthly payment increased starting March 1, 2016. Records indicate the company is in substantial compliance with this requirement. As of June 30, 2016, the principal balance due was \$70,788.

C. Company C

The county loaned \$50,000 to a company on November 3, 2014, for the purpose of financing certain real estate. Terms of the agreement stipulate a 180 month repayment schedule at 2.44 percent interest. Due to an increase in interest rates to 2.63 percent, the monthly payment increased starting March 1, 2016. Records indicate the company is in substantial compliance with this requirement. As of June 30, 2016, the principal balance due was \$45,552.

D. Restaurant A

The county loaned \$20,000 to a restaurant on March 9, 2015, for the purpose of financing certain real estate. Terms of the agreement stipulate an 84 month repayment schedule at 2.44 percent interest. Due to an increase in interest rates to 2.63 percent, the monthly payment increased starting March 1, 2016. Records indicate the restaurant is in substantial compliance with this requirement. As of June 30, 2016, the principal balance due was \$16,667.

E. Restaurant B

The county loaned \$45,000 to a restaurant on June 26, 2015, for the purpose of financing certain real estate. Terms of the agreement stipulate a 180 month repayment schedule at 2.44 percent interest. Due to an increase in interest rates to 2.63 percent, the monthly payment increased starting March 1, 2016. Records indicate the restaurant is in substantial compliance with this requirement. As of June 30, 2016, the principal balance due was \$42,703.

As of June 30, 2016, total receivables due the county were \$225,256.

Note 5. Assets Held for Resale

Assets held for resale activity for the year ended June 30, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Assets Held for Resale:				
Vehicles	\$ 277,596	\$ 289,027	\$ 277,596	\$ 289,027
Total	<u>\$ 277,596</u>	<u>\$ 289,027</u>	<u>\$ 277,596</u>	<u>\$ 289,027</u>

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

Note 6. Long-term Debt

A. Courthouse Renovations

The county entered into an installment loan agreement with a bank on November 18, 2005, in the amount of \$1,600,000. The purpose of the loan was to finance the acquisition of property, to finance renovations and improvements to the courthouse, and to retire the Ohio County Buildings Commission First Mortgage Revenue Bonds, Series 1979. The interest rate is 4.92 percent for a period of 20 years with principal and interest payments due monthly. The principal balance at June 30, 2016, was \$949,708. Future debt service requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2017	\$ 81,069	\$ 45,543
2018	85,207	41,405
2019	89,556	37,056
2020	94,039	32,572
2021	98,926	27,685
2022-2026	500,911	58,290
Totals	<u>\$ 949,708</u>	<u>\$ 242,551</u>

B. Kentucky Association of Counties Leasing Trust - County Park Land

On January 14, 2008, the county entered into a financing agreement with the Kentucky Association of Counties Leasing Trust in the sum of \$250,000 with a variable interest rate. The financing obligation was used to purchase land to be used as a park. The maturity date of the obligation is January 20, 2023. The balance of the obligation at June 30, 2016, was \$137,114. Future debt requirements of the general fund are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2017	\$ 17,442	\$ 5,723
2018	18,542	4,967
2019	19,712	4,162
2020	20,956	3,310
2021	22,280	2,399
2022-2023	38,182	1,803
Totals	<u>\$ 137,114</u>	<u>\$ 22,364</u>

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

Note 6. Long-term Debt (Continued)

C. Kentucky Association of Counties Leasing Trust - EMS building

On August 5, 2009, the county entered into a financing agreement with the Kentucky Association of Counties Leasing Trust in the amount of \$300,000 for the purpose of financing the construction costs for an EMS building. The interest rate is variable. Principal and interest payments are due on the 20th of each month until the termination date of August 20, 2017. The principal balance at June 30, 2016, was \$49,937. Future debt service requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2017	\$ 42,660	\$ 1,600
2018	7,277	88
Totals	<u>\$ 49,937</u>	<u>\$ 1,688</u>

D. Green River Area Development District - Dump Truck, Loader, and Backhoe/Loader

On August 5, 2009, the county entered into a financing agreement with the Green River Area Development District in the amount of \$250,000 for the purpose of purchasing a dump truck, loader, and backhoe/loader. The interest rate is variable. Principal and interest payments are due on the first day of each month until the termination date of April 1, 2022. The principal balance at June 30, 2016, was \$211,221. Future debt service requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2017	\$ 33,886	\$ 4,825
2018	34,743	4,537
2019	35,732	3,549
2020	36,749	2,532
2021	37,795	1,486
2022	32,316	418
Totals	<u>\$ 211,221</u>	<u>\$ 17,347</u>

E. Kentucky Association Of Counties Leasing Trust - Mack Truck

On September 22, 2014, the county entered into a financing agreement with the Kentucky Association of Counties Leasing Trust in the amount of \$131,790 for the purpose of purchasing a Mack Truck. The interest rate is variable with payments due on the 20th of each month with a balloon principal payment due on March 20, 2016. The principal balance at June 30, 2016, was \$0.

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

Note 6. Long-term Debt (Continued)

F. Kentucky Association Of Counties Leasing Trust - Mack Truck

On April 22, 2015, the county entered into a financing agreement with the Kentucky Association of Counties Leasing Trust in the amount of \$145,806 for the purpose of purchasing a Mack Truck. The interest rate is variable with payments due on the 20th of each month with a balloon principal payment due on October 20, 2016. The principal balance at June 30, 2016 was \$0.

G. Kentucky Association Of Counties Leasing Trust - Mack Truck

On August 25, 2015, the county entered into a financing agreement with the Kentucky Association of Counties Leasing Trust in the amount of \$145,805 for the purpose of purchasing a Mack Truck. The interest rate is 3.25 percent for a term of 18 months. The principal balance at June 30, 2016, was \$145,805.

Fiscal Year Ending June 30	Principal	Scheduled Interest
2017	\$ 145,805	\$ 3,554
Totals	\$ 145,805	\$ 3,554

H. Kentucky Association Of Counties Leasing Trust - Mack Truck

On June 15, 2016, the county entered into a financing agreement with the Kentucky Association of Counties Leasing Trust in the amount of \$143,222 for the purpose of purchasing a Mack Truck. The interest rate is 3.25 percent for a term of 18 months. The lease will begin on July 20, 2016, and end on December 20, 2017. The principal balance at June 30, 2016, was \$143,222.

Fiscal Year Ending June 30	Principal	Scheduled Interest
2017	\$	\$ 4,862
2018	143,222	2,327
Totals	\$ 143,222	\$ 7,189

I. Equipment

On June 1, 2016, the county entered into a promissory note with a bank in the amount of \$85,847 for the purpose of purchasing equipment. The interest rate is 3.25 percent. The maturity date was June 30, 2016. This lease was refinanced. The principal balance at June 30, 2016 was \$85,847.

Fiscal Year Ending June 30	Principal	Scheduled Interest
2017	\$ 85,847	\$ 225
Totals	\$ 85,847	\$ 225

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

Note 6. Long-term Debt (Continued)

J. Changes In Long-Term Debt

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Financing Obligations	\$ 1,793,184	\$ 374,874	\$ 445,204	\$ 1,722,854	\$ 403,851
Total Long-term Debt	<u>\$ 1,793,184</u>	<u>\$ 374,874</u>	<u>\$ 445,204</u>	<u>\$ 1,722,854</u>	<u>\$ 403,851</u>

Note 7. Commitments and Contingencies

The county is involved in a lawsuit that arose from the normal course of doing business that could negatively impact the county's financial position. Due to the uncertainty of the litigation, a reasonable estimate of the financial impact on the county cannot be made at this time.

Note 8. Commitment Debt - Water District

In 2009, the Ohio County Fiscal Court, entered into a financial obligation agreement with the Ohio County Water District to provide semi-annual payments of principal, interest, and fees up to \$3,000,000 on a Kentucky Infrastructure Authority (KIA) loan, the water district incurred for a construction of a new water treatment plant and related facilities. The agreement authorized and provided for the fiscal court to have a pre-payment privilege of all or part of the water district KIA loan obligation made by the fiscal court without a pre-payment penalty. A pre-payment in the amount of \$550,000 was made on the loan on April 1, 2009. This payment reduced the loan payment obligation by \$550,000, thereby leaving only a maximum loan payment obligation of \$2,450,000 in principal and the interest and loan servicing fee. The fiscal court's financial obligation shall continue until the KIA loan has been paid in full. The fiscal court agrees to reserve sufficient funds each year in its annual budget to provide for such payments. The fiscal court's obligation for fiscal year 2016 was \$140,531.

Note 9. Employee Retirement System

Plan Description

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

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

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

Note 9. Employee Retirement System (Continued)

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 \$556,045, FY 2015 was \$506,214 (restated), and FY 2016 was \$478,781.

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%

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.

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

Note 9. Employee Retirement System (Continued)

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 10. Deferred Compensation

On November 25, 1985, the Ohio 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 11. Health Reimbursement Account/Flexible Spending Account

The Ohio Fiscal Court established a flexible spending account during fiscal year 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 \$500-\$2,500 each year, depending on the type of plan chosen, to pay for qualified medical expenses. Employees may also contribute additional pre-tax funds through payroll deduction.

Note 12. Insurance

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

Note 13. Landfill

The Ohio County Fiscal Court holds the permit on the landfill, known as the Ohio County Balefill. The county owns the land and all capital improvements made to the land. A private company won the bid on the landfill franchise and operates and maintains the landfill. The liability for closure and post-closure costs lies with the company for 30 years after the closure of the landfill.

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

Note 14. Related Party Transactions

The Ohio County Fiscal Court purchased goods totaling \$75 from a company owned by the county treasurer's brother.

Note 15. Conduit Debt

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

Note 16. Prior Period Adjustment

Ending Cash Balance Prior Year	\$ 3,398,965
Road Fund Prior Year Voided Checks	2,142
General Fund Rounding	1
Waterline Fund Rounding	(1)
	<u>\$ 3,401,107</u>

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

For The Year Ended June 30, 2016

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OHIO COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2016

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 3,916,300	\$ 3,916,300	\$ 4,102,897	\$ 186,597
In Lieu Tax Payments			115	115
Licenses and Permits	85,600	85,600	104,025	18,425
Intergovernmental	2,442,883	2,442,883	2,001,772	(441,111)
Charges for Services	241,750	241,750	196,878	(44,872)
Miscellaneous	1,004,248	1,004,248	847,033	(157,215)
Interest	10,925	10,925	7,064	(3,861)
Total Receipts	<u>7,701,706</u>	<u>7,701,706</u>	<u>7,259,784</u>	<u>(441,922)</u>
DISBURSEMENTS				
General Government	4,121,566	4,763,560	4,131,001	632,559
Protection to Persons and Property	1,890,425	1,939,189	1,479,885	459,304
General Health and Sanitation	248,547	262,820	202,300	60,520
Social Services	298,572	310,330	281,915	28,415
Recreation and Culture	474,978	501,545	452,241	49,304
Airports	12,000	12,000	12,000	
Debt Service	155,249	159,858	149,455	10,403
Administration	1,422,195	1,491,746	365,599	1,126,147
Total Disbursements	<u>8,623,532</u>	<u>9,441,048</u>	<u>7,074,396</u>	<u>2,366,652</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(921,826)</u>	<u>(1,739,342)</u>	<u>185,388</u>	<u>1,924,730</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds			<u>(100,000)</u>	<u>(100,000)</u>
Total Other Adjustments to Cash (Uses)			<u>(100,000)</u>	<u>(100,000)</u>
Net Change in Fund Balance	(921,826)	(1,739,342)	85,388	1,824,730
Fund Balance - Beginning	<u>921,826</u>	<u>1,839,342</u>	<u>1,839,342</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 100,000</u>	<u>\$ 1,924,730</u>	<u>\$ 1,824,730</u>

OHIO 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				
Intergovernmental	\$ 2,137,393	\$ 2,437,393	\$ 2,096,153	\$ (341,240)
Miscellaneous	45,000	45,000	294,061	249,061
Interest	4,000	4,000	2,497	(1,503)
Total Receipts	<u>2,186,393</u>	<u>2,486,393</u>	<u>2,392,711</u>	<u>(93,682)</u>
DISBURSEMENTS				
Roads	1,522,759	2,252,308	2,262,069	(9,761)
Debt Service	714,388	714,562	325,543	389,019
Capital Projects	120,000	120,000	281	119,719
Administration	754,246	680,500	382,627	297,873
Total Disbursements	<u>3,111,393</u>	<u>3,767,370</u>	<u>2,970,520</u>	<u>796,850</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(925,000)</u>	<u>(1,280,977)</u>	<u>(577,809)</u>	<u>703,168</u>
Other Adjustments to Cash (Uses)				
Borrowed Money	<u>650,000</u>	<u>650,000</u>	<u>374,874</u>	<u>(275,126)</u>
Total Other Adjustments to Cash (Uses)	<u>650,000</u>	<u>650,000</u>	<u>374,874</u>	<u>(275,126)</u>
Net Change in Fund Balance	(275,000)	(630,977)	(202,935)	428,042
Fund Balance - Beginning	<u>275,000</u>	<u>630,977</u>	<u>633,119</u>	<u>2,142</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 430,184</u>	<u>\$ 430,184</u>

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

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 2,515,000	\$ 2,515,000	\$ 1,641,520	\$ (873,480)
Miscellaneous	350,000	350,000	50,000	(300,000)
Interest	750	750	1,393	643
Total Receipts	<u>2,865,750</u>	<u>2,865,750</u>	<u>1,692,913</u>	<u>(1,172,837)</u>
DISBURSEMENTS				
General Government	1,456,500	2,156,323	672,163	1,484,160
Protection to Persons and Property	332,500	340,996	332,065	8,931
Social Services	5,000	5,000	2,763	2,237
Roads	755,870	711,946	706,743	5,203
Airport	2,900	2,900		2,900
Recreation and Culture	25,000	24,249	21,553	2,696
Debt Services	49,529	49,529	44,362	5,167
Administration	238,451	197,035		197,035
Total Disbursements	<u>2,865,750</u>	<u>3,487,978</u>	<u>1,779,649</u>	<u>1,708,329</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		<u>(622,228)</u>	<u>(86,736)</u>	<u>535,492</u>
Net Change in Fund Balance		(622,228)	(86,736)	535,492
Fund Balance - Beginning		<u>622,228</u>	<u>622,228</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 535,492</u>	<u>\$ 535,492</u>

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

FEDERAL/STATE GRANTS FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 0	\$ 0	\$ 25,000	\$ 25,000
Total Receipts			25,000	25,000
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			25,000	25,000
Other Adjustments to Cash (Uses)				
Transfers To Other Funds			(25,000)	(25,000)
Total Other Adjustments to Cash (Uses)			(25,000)	(25,000)
Net Change in Fund Balance				
Fund Balance - Beginning				
Fund Balance - Ending	\$ 0	\$ 0	\$ 0	\$ 0

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

	FOREST FIRE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 6,000	\$ 6,000	\$ 6,219	\$ 219
Interest	50	50	17	(33)
Total Receipts	<u>6,050</u>	<u>6,050</u>	<u>6,236</u>	<u>186</u>
DISBURSEMENTS				
Protection to Persons and Property	6,000	6,802	5,595	1,207
Administration	50	4,080		4,080
Total Disbursements	<u>6,050</u>	<u>10,882</u>	<u>5,595</u>	<u>5,287</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		<u>(4,832)</u>	<u>641</u>	<u>5,473</u>
Net Change in Fund Balance		(4,832)	641	5,473
Fund Balance - Beginning		<u>4,832</u>	<u>4,832</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 5,473</u>	<u>\$ 5,473</u>

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

	LANDFILL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Charges for Services	\$ 70,000.00	\$ 70,000.00	\$ 90,065	\$ 20,065
Interest	500	500	514	14
Total Receipts	<u>70,500</u>	<u>70,500</u>	<u>90,579</u>	<u>20,079</u>
DISBURSEMENTS				
General Health and Sanitation	150,000	150,000	140,531	9,469
Administration		131,923		131,923
Total Disbursements	<u>150,000</u>	<u>281,923</u>	<u>140,531</u>	<u>141,392</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(79,500)</u>	<u>(211,423)</u>	<u>(49,952)</u>	<u>161,471</u>
Net Change in Fund Balance	(79,500)	(211,423)	(49,952)	161,471
Fund Balance - Beginning	<u>79,500</u>	<u>211,423</u>	<u>211,423</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 161,471</u>	<u>\$ 161,471</u>

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

	OCEDA FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$	\$	\$ 17,787	\$ 17,787
Interest			142	142
Total Receipts			17,929	17,929
DISBURSEMENTS				
General Government	50,000	150,000	40,000	110,000
Administration		3,774		3,774
Total Disbursements	50,000	153,774	40,000	113,774
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(50,000)	(153,774)	(22,071)	131,703
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			125,000	125,000
Total Other Adjustments to Cash (Uses)			125,000	125,000
Net Change in Fund Balance	(50,000)	(153,774)	102,929	256,703
Fund Balance - Beginning	50,000	53,774	53,774	
Fund Balance - Ending	\$ 0	\$ (100,000)	\$ 156,703	\$ 256,703

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

WATERLINE FUND				
	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
RECEIPTS				
Charges for Services	\$ 70,000	\$ 70,000	\$ 90,065	\$ 20,065
Interest	500	500	67	(433)
Total Receipts	<u>70,500</u>	<u>70,500</u>	<u>90,132</u>	<u>19,632</u>
DISBURSEMENTS				
General Health and Sanitation	70,500	93,500	89,102	4,398
Total Disbursements	<u>70,500</u>	<u>93,500</u>	<u>89,102</u>	<u>4,398</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		<u>(23,000)</u>	<u>1,030</u>	<u>24,030</u>
Net Change in Fund Balance		(23,000)	1,030	24,030
Fund Balance - Beginning		<u>23,000</u>	<u>23,000</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 24,030</u>	<u>\$ 24,030</u>

OHIO COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2016

Note 1. Budgetary Information

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

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

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

Note 2. Excess of Disbursements Over Appropriations

Road disbursements (line item overspent) in the road fund exceeded budgeted appropriations by \$9,761.

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

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OHIO 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	\$ 1,312,976	\$ 15,000	\$	\$ 1,327,976
Land Improvements	56,400			56,400
Buildings and Building Improvements	6,002,144	153,312		6,155,456
Equipment	2,584,684	25,500		2,610,184
Vehicles	1,974,313	195,583	25,879	2,144,017
Infrastructure	5,840,609	891,954		6,732,563
 Total Capital Assets	 <u>\$ 17,771,126</u>	 <u>\$ 1,281,349</u>	 <u>\$ 25,879</u>	 <u>\$ 19,026,596</u>

OHIO 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.

	<u>Capitalization Threshold</u>	<u>Useful Life (Years)</u>
Land Improvements	\$ 20,000	10-60
Buildings	\$ 50,000	10-75
Buildings Improvements	\$ 25,000	10-75
Equipment	\$ 20,000	3-25
Vehicles	\$ 20,000	3-25
Infrastructure	\$ 50,000	10-50

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

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable David Johnston, Ohio County Judge/Executive
Members of the Ohio 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 Ohio County Fiscal Court for the fiscal year ended June 30, 2016, and the related notes to the financial statement which collectively comprise the Ohio County Fiscal Court's financial statement and have issued our report thereon dated July 12, 2017.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2016-001, 2016-002, 2016-003, 2016-004, 2016-005, and 2016-006 to be material weaknesses.



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

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Ohio County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2016-006, 2016-007, 2016-008, and 2016-009.

Views of Responsible Officials and Planned Corrective Action

Ohio 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

July 12, 2017

**OHIO COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2016

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**OHIO COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2016

FINANCIAL STATEMENT FINDINGS:

2016-001 The Ohio County Detention Center Lacks Adequate Controls Over Commissary Transactions And Inmate Fees

This is a repeat finding and was also included in the prior year audit report as finding 2015-001. The Ohio County Detention Center lacks adequate internal controls over commissary transactions and inmate fees. The jailer prepares deposits, prepares checkout sheets for inmate fees, handles cash collected, and approves and signs commissary checks. Cash is collected by all deputies with only manual written receipts as documentation. No ledgers were being maintained to track inmate fees charged or collected. Auditors noted one instance in which an inmate paid all of his weekender fees in advance; however, auditors did not have records to show how many days the inmate was paying for and therefore could not determine if the correct fee was charged. During review of internal controls, auditors also noted no key controls in place to prevent the misappropriation of assets and inaccurate financial reporting.

According to the jailer, this lack of internal controls is a result of a limited budget, which restricts the number of qualified employees the fiscal court can hire for accounting functions. Without the proper internal controls, the jailer creates the opportunity for undetected misappropriation of assets and inaccurate financial reporting. Good internal controls dictate that duties over the various accounting functions such as preparation of deposits, checkout sheet preparation, collection of cash, and preparation of checks be segregated in order to lower the risk of undetected misappropriation of assets and inaccurate financial reporting. Good internal controls also dictate that accurate and sufficient records be maintained in order to ensure all fees collected are deposited by the county treasurer. We recommend the Ohio County Detention Center implement internal controls over commissary transactions and inmate fees collected.

Views of Responsible Officials and Planned Corrective Action:

Judge/Executive David Johnson's Response: We will work with our Jailer to correct any shortcomings in his record keeping. We will offer assistance with his software use to produce a more timely and accurate report. The treasurer is to inform the Judge Executive any time a report or deposit is late.

Jailer Gerry Wright's Response: The Ohio County Detention Center utilizes [vendor name redacted] to provide Commissary for Inmates. Inmates maintain possession of their own currency to purchase commissary items from vending machines located in the multi-purpose room of The Ohio County Detention Center. Policy and Procedure on Control over Inmate Fees is included in The Policy and Procedure for Controlling Cash Items.

2016-002 The Ohio County Detention Center Did Not Properly Utilize Their Accounting Software To Maintain Records

This is a repeat finding and was also included in the prior year audit report as finding 2015-002. The Ohio County Detention Center has purchased accounting software; however, the detention center employees were not utilizing the software properly. The software can be used to maintain accounting records such as receipts and disbursements ledgers, maintain inmate accounts, generate reports showing fees collected and owed to the fiscal court, as well as other functions. However, the detention center was not using the software to maintain any accounting records.

**OHIO COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2016
(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-002 The Ohio County Detention Center Did Not Properly Utilize Accounting Software To Maintain Accounting Records (Continued)

According to the jailer, the detention center had been having issues with the software and felt that the system was not doing everything that he needed it to do. Beginning in the next fiscal year ending June 30, 2017, auditors noted the software was being used to maintain inmate records and to record fees charged and collected from the inmates. By not properly utilizing the accounting software, the detention center did not maintain accurate accounting records.

Good internal controls dictate the detention center maintain accurate account records and ensure all fees are collected and recorded properly. We recommend the Ohio County Detention Center maintain the proper accounting records and utilize the software they have purchased.

Views of Responsible Officials and Planned Corrective Action:

Judge/Executive David Johnson's Response: We will work with our Jailer to correct any shortcomings in his record keeping. We will offer assistance with his software use to produce a more timely and accurate report. The treasurer is to inform the Judge Executive any time a report or deposit is late.

Jailer Gerry Wright's Response: As of July 2016 The Ohio County Detention Center utilizes [vendor name redacted] accounting software to maintain record of Inmate fee payments and fee balances.

2016-003 The Ohio County Detention Center Did Not Maintain All Inmate Reports

This is a repeat finding and was also included in the prior year audit report as finding 2015-003. The Ohio County Detention Center did not maintain inmate reports to document fees paid for all inmates. Auditors reviewed inmate files for four inmates and noted one inmate did not have an inmate report to document fees paid. According to the jailer, he attempted to maintain documentation for all inmates, yet the inmate report for this particular inmate was an oversight. Starting with the fiscal year ending June 30, 2017, the jailer is maintaining all inmate reports in the accounting software. By not maintaining all inmate reports, there is no supporting documentation to show how much the inmates have paid. Inmates could have overpaid or underpaid fees. Good internal controls dictate that proper records are maintained to ensure that all inmate fees are paid and that accurate amounts are paid. We recommend the Ohio County Detention Center maintain proper inmate reports.

Views of Responsible Officials and Planned Corrective Action:

Judge/Executive David Johnson's Response: We will work with our Jailer to correct any shortcomings in his record keeping. We will offer assistance with his software use to produce a more timely and accurate report. The treasurer is to inform the Judge Executive any time a report or deposit is late.

Jailer Gerry Wright's Response: As of July of 2016, The Ohio County Detention Center utilizes [vendor name redacted] accounting software to maintain record of Inmate fees paid and owed. The Policy and Procedure for Controlling Cash Items facilitates the process for maintaining record of Inmates fees that are paid, and an outstanding balance contract submitted to the Ohio County District Attorney facilitates the process for maintaining record of fees not paid.

**OHIO COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2016
(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-004 The Ohio County Detention Center Did Not Have Policies And Procedures Over The Cash System

The Ohio County Detention Center does not maintain inmate accounts. When inmates are admitted to the detention center, they are allowed to retain cash in their possession. Therefore, all fees are paid individually by the inmates in cash when released from the detention center. Inmates also use cash to make commissary purchases from a vending machine. The detention center does not have written policies and procedures over these processes. Since the detention center is small, the jailer feels that by not maintaining inmate accounts he can save time and paperwork. The jailer only has a part-time bookkeeper, so he does most of the bookkeeping.

By not having set policies and procedures over the cash system, the jailer is increasing the risk of misappropriation of assets and inaccurate financial reporting. Good internal controls dictate that the jailer implement policies and procedures over how cash is handled throughout the detention center in order to reduce the risk of misappropriation of assets and inaccurate financial reporting. We recommend that the Ohio County Detention Center implement policies and procedures over their cash system.

Views of Responsible Officials and Planned Corrective Action:

Judge/Executive David Johnson's Response: We will work with our Jailer to correct any shortcomings in his record keeping. We will offer assistance with his software use to produce a more timely and accurate report. The treasurer is to inform the Judge Executive any time a report or deposit is late.

Jailer Gerry Wright's Response: As of 2017 The Ohio County Detention Center has provided a Policy and Procedure On Controlling Cash Items.

2016-005 The Ohio County Fiscal Court Had Weak Internal Controls Over Occupational And Net Profit Taxes

The fiscal court lacks adequate internal controls over occupational and net profit taxes by failing to:

1. Properly maintain net profit tax returns.
2. File liens against all delinquent taxpayers in accordance with county ordinance.

Auditors noted during conversation with the tax administrator that some fees and liens are being applied to delinquent tax bills, but only as the occupational tax administrator deems necessary. According to the county treasurer, this lack of internal controls is a result of a limited budget which restricts the number of qualified employees the fiscal court can hire for accounting functions. Without the proper internal controls, the fiscal court creates the opportunity for undetected misappropriation of assets and inaccurate financial reporting. Good internal controls dictate that accurate and sufficient records be maintained in order to ensure all fees are collected by the county. We recommend the fiscal court implement internal controls over occupational and net profit taxes and fees collected.

Views of Responsible Officials and Planned Corrective Action:

Judge/Executive David Johnson's Response: All original tax returns will be kept on file for the required 5 years. The Occupational Tax Administrator and County Attorney are in the process of outlining a written policy of required actions concerning liens on delinquent accounts. This policy will be presented to the Ohio County Fiscal Court for approval. A complete delinquent list will be presented to the County Judge Executive on the following schedule. April 10th, July 10th, October 10th, and January 10th.

**OHIO COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2016
(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-006 The Ohio County Fiscal Court Had Weak Internal Controls At The Golf Course And Daily Deposits Were Not Made

This is a repeat finding and was also included in the prior year audit report as finding 2015-004. The Ohio County Fiscal Court lacks adequate controls over the off-site collection of golf course receipts. The golf course manager was preparing receipt check out sheets that were not monitored by the fiscal court. Furthermore, daily deposits were not made, receipts were not issued to individuals at the golf course, batched receipts were not attached to the checkout sheets, detailed checkout sheets were not prepared daily, and there were voids/refunds every day with no supporting documentation of the reason for the void/refund. The lack of adequate internal controls over off-site collections at the golf course increased the risk that cash could be misappropriated.

Strong internal controls are essential for providing protection against fraud and errors, as well as to protect employees in the normal course of performing their duties. KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. The Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual* requires deposits to be made daily. We recommend the fiscal court strengthen internal controls for decentralized golf receipts, including batched receipts and daily deposits. We also recommend the fiscal court maintain supporting documentation for all voided transactions and require all refunds to be issued in the county treasurer's office.

Views of Responsible Officials and Planned Corrective Action:

Judge/Executive David Johnson's Response: Daily reports are now required. Each shifts register tapes are attached to the daily report and submitted to the Treasurer's Office. Voids/Refunds now have a form to be completed with explanation detailed. Membership records are now processed at the Treasurer's Office.

Additionally the Park and Golf Course have been combined. The Golf Course now has daily management/oversight by the Park Director.

2016-007 The Ohio County Detention Center Did Not Make Daily Deposits Or Submit Fees To The County Treasurer Timely

This is a repeat finding and was also included in the prior year audit report as finding 2015-006. The Ohio County Detention Center did not deposit inmate fees daily or submit these fees to the county treasurer timely. Auditors tested receipts collected from June 6, 2016 through June 10, 2016. These receipts were not deposited into the bank by the Ohio County Detention Center. They were batched with receipts collected May 21, 2016 through June 17, 2016, then turned over and deposited into the general fund by the county treasurer on July 11, 2016. Of 41 deposits made to the county treasurer for the fiscal year ending June 30, 2016, auditors noted 14 deposits included receipts that had been collected at least a month prior to deposit. The detention center was not making daily deposits because they did not maintain a bank account for inmate fees. They have been depositing these fees collected directly into the general fund for several years. According to the jailer, the batched receipts were not turned over to the treasurer timely because he only has a part-time bookkeeper, so he prepares the checkout sheets along with his other duties. By not depositing the receipts into a bank account or turning them over to the treasurer daily, the jailer is creating the opportunity for undetected misappropriation of assets. KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. The Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual* requires county governments to perform daily check-out procedures and make daily deposits. We recommend the Ohio County Detention Center deposit all receipts collected into the bank daily or turn them over to the county treasurer daily to be deposited.

**OHIO COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2016
(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-007 The Ohio County Detention Center Did Not Make Daily Deposits Or Submit Fees To The County Treasurer Timely (Continued)

Views of Responsible Officials and Planned Corrective Action:

Judge/Executive David Johnson's Response: We will work with our Jailer to correct any shortcomings in his record keeping. We will offer assistance with his software use to produce a more timely and accurate report. The treasurer is to inform the Judge Executive any time a report or deposit is late.

Jailer Gerry Wright's Response: As of 2017 The Ohio County Detention Center has provided a Policy and Procedure On Controlling Cash Items. Sections of this policy states that Daily Deposits and Fees shall be submitted to the Ohio County Treasurer for every 24 hours.

2016-008 The Ohio County Detention Center Commingled Public and Private Funds

During the fiscal year ending June 30, 2016, the Ohio County Jailer deposited \$1,028 into the jail commissary account that was actually money belonging to the Masonic Lodge. The jailer issued a check to the Masonic Lodge from the commissary account to correct this error on January 11, 2016. According to the jailer, the commingling of funds was done in error. The jailer was also the treasurer for the Masonic Lodge and mistakenly deposited the money into the wrong account. The jailer stated he has since resigned as treasurer of the Masonic Lodge. By commingling public and private funds, the jailer was not in compliance with KRS 64.850.

KRS 64.850 states, “[i]t shall be unlawful for any county official to deposit public funds with individual or private funds in any bank or other depository or for any such official to withdraw public funds for any purpose other than that for which they were received and deposited.” We recommend the jailer not commingle public and private funds and comply with KRS 64.850.

Views of Responsible Officials and Planned Corrective Action:

Judge/Executive David Johnson's Response: We will work with our Jailer to correct any shortcomings in his record keeping. We will offer assistance with his software use to produce a more timely and accurate report. The treasurer is to inform the Judge Executive any time a report or deposit is late.

Jailer Gerry Wright's Response: Workpaper Reference J-15 [the comment] shows the condition, context, and cause for Title 2016-008. The commingling of funds error was due to \$85.21 belonging to The Masonic Lodge being mistakenly included with The Ohio County Detention Center Commissary deposit. The error was noticed and then corrected with maintaining record of the corrective action process before the Audit was conducted. Corrective Action for this error is noted in Workpaper Reference J-15[the comment].

Auditor's Reply: The \$85 noted in the jailer's response is in regard to another instance of this same issue that occurred in the prior fiscal year.

**OHIO COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2016
(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-009 The Ohio County Detention Center Did Not Have An Updated Fee Schedule Approved By The Fiscal Court

The Ohio County Detention Center decided to no longer charge a per diem fee to the inmates, but this change to the fee schedule was not approved by the fiscal court. The jailer thought he had brought this update to the fiscal court, but documentation of this action could not be found in the fiscal court order book. Auditors noted the jailer went before the fiscal court on July 26, 2016 and got an increase in the booking fee approved; however, auditors did not see approval of the per diem fee change.

By not getting the updated fee schedule approved by the fiscal court, the jailer is not in compliance with KRS 441.265. According to KRS 441.265(2)(a), “[t]he jailer may adopt, with the approval of the county’s governing body, a prisoner fee and expense reimbursement policy[.]” We recommend that the Ohio County Detention Center comply with KRS 441.265 and ensure the updated inmate fee schedule is approved by the fiscal court.

Views of Responsible Officials and Planned Corrective Action:

Judge/Executive David Johnson’s Response: We will work with our Jailer to correct any shortcomings in his record keeping. We will offer assistance with his software use to produce a more timely and accurate report. The treasurer is to inform the Judge Executive any time a report or deposit is late.

Jailer Gerry Wright’s Response: As of 2017 The Ohio County Detention Center Updated Fee Schedule has been approved by The Ohio County Fiscal Court.

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

OHIO COUNTY FISCAL COURT

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

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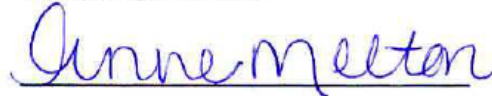
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
OHIO COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2016

The Ohio 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.

A handwritten signature in black ink, appearing to read "Dan Johnston", written over a horizontal line.

County Judge/Executive

A handwritten signature in blue ink, appearing to read "Anne Melton", written over a horizontal line.

County Treasurer