

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

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



**MIKE HARMON
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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

The Honorable Matthew G. Bevin, Governor

William M. Landrum III, Secretary

Finance and Administration Cabinet

The Honorable William M. Deskins, Pike County Judge/Executive

Members of the Pike County Fiscal Court

The enclosed report prepared by RFH, PLLC presents the financial statement of Pike County, Kentucky, for the year ended June 30, 2017.

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

Respectfully submitted,

Mike Harmon
Auditor of Public Accounts

Enclosure



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To the People of Kentucky
The Honorable Matthew G. Bevin, Governor
William M. Landrum III, Secretary
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Members of the Pike County Fiscal Court

Independent Auditors' Report

Report on the Financial Statement

We were engaged to audit the financial activity contained in the accompanying Financial Statement of the Pike County Fiscal Court, as of and for the year ended June 30, 2017.

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.

Auditors' Responsibility

Our responsibility is to express an opinion on this financial statement based on conducting an 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. Because of the issues described in the Basis for Disclaimer of Opinion paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

The Pike County Fiscal Court's accounting records are incomplete. The Pike County Treasurer failed to record internal transfers as they were approved by the fiscal court. The treasurer also failed to perform bank reconciliations during the year resulting in incorrect cash balances.

Disclaimer of Opinion on Regulatory Basis of Accounting

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statement. Accordingly, we do not express an opinion on this financial statement.

To the People of Kentucky

The Honorable Matthew G. Bevin, Governor

William M. Landrum III, Secretary

Finance and Administration Cabinet

The Honorable William M. Deskins, Pike County Judge/Executive

Members of the Pike County Fiscal Court

Other Matters

Supplementary Information

We were engaged for the purpose of forming an opinion on the financial activity of the Pike County Fiscal Court. The Schedule of Expenditure 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) is presented for purposes of additional analysis and is not a required part of the financial statement. Because of the significance of matters described in the Basis for Disclaimer of Opinion paragraph above related to our inability to rely on underlying financial records, it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2018, on our consideration of the Pike 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 Pike 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:

- 2017-001 The Fiscal Court Did Not Perform Bank Reconciliations Each Month
- 2017-002 The Fiscal Court Did Not Record Transfers As They Occurred In The Accounting Software
- 2017-003 The Fiscal Court Did Not Pay Invoices Presented To The Court Within 30 Days Of Receipt
- 2017-004 The Fiscal Court Did Not Submit The Fourth Quarter Report To The Department For Local Government
- 2017-005 The County Treasurer Did Not Present An Annual Settlement To The Fiscal Court Within The Time Period Required By State Law

Respectfully submitted,



RFH, PLLC
Lexington, Kentucky
January 10, 2018

PIKE COUNTY OFFICIALS

For The Year Ended June 30, 2017

Fiscal Court Members:

William M. Deskins	County Judge/Executive
Vernon Johnson	Magistrate
Leo Murphy	Magistrate
Kenneth Robinson	Magistrate
Lloyd Hilman Dotson	Magistrate
Bobby Varney	Magistrate
Jeff Anderson	Magistrate

Other Elected Officials:

Howard Keith Hall	County Attorney
Brian Morris	Jailer
Rhonda Taylor	County Clerk
Anna Pinson Spears	Circuit Court Clerk
Rodney Scott	Sheriff
Lonnie Osbourne	Property Valuation Administrator
Russell Roberts	Coroner

Appointed Personnel:

Johnda Billiter	County Treasurer
Frankie Stacy	Finance Commissioner

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**PIKE COUNTY
FINANCIAL STATEMENT**

For The Year Ended June 30, 2017

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**PIKE COUNTY
FINANCIAL STATEMENT**

For The Year Ended June 30, 2017

Financial Statement
PIKE COUNTY FISCAL COURT
 Fund Type: Governmental
 From: 07/01/2016 To: 06/30/2017

	General	Road	Jail	L.G.E.A.	Federal Grant	Forestry	Solid Waste	LGEDF	Maint Garage	Totals
Total Receipts	10,430,312.41	4,808,081.03	4,712,847.39	3,160,574.95	6,000.00	31,550.24	5,129,313.48	482,981.94	1,102,923.93	29,864,595.37
Total Claims	9,736,730.41	4,732,180.95	4,684,447.64	2,666,647.96	6,000.00	5,719.00	4,901,994.54		1,070,768.70	27,804,489.20
Cash Balance	693,582.00	75,900.08	28,399.75	493,926.99		25,831.24	227,318.94	482,981.94	32,155.23	2,060,096.17
Encumbrances	27,237.94	75,113.06	21,761.46	133,751.00			2,523.42		29,841.52	290,228.40
Unencumbered Cash Balance	666,344.06	787.02	6,638.29	360,175.99		25,831.24	224,795.52	482,981.94	2,313.71	1,769,867.77

RECONCILIATION

Bank Balance	693,582.00	75,900.08	28,399.75	493,926.99		25,831.24	227,318.94	482,981.94	32,155.23	2,060,096.17
Outstanding Deposits										
Outstanding Checks										
Other Investments										
Cash Balance	693,582.00	75,900.08	28,399.75	493,926.99		25,831.24	227,318.94	482,981.94	32,155.23	2,060,096.17

TO THE BEST OF MY KNOWLEDGE, THE INFORMATION CONTAINED HEREIN IS ACCURATE AND COMPLETE

 JOHNDA B. BILLITER, COUNTY TREASURER
 Date

 WILLIAM M. DESKINS, COUNTY JUDGE/EXECUTIVE
 Date

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PIKE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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PIKE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Provided to Subrecipient	Total Federal Expenditures
<u>U.S. Department of Agriculture</u>				
Natural Resources Conservation Service - Watershed Protection and Flood Prevention Program				
Emergency Watershed Protection Program	10.923	68-5C16-16	\$	\$ 199,812
Emergency Watershed Protection Program- Floodplain Easements	10.923	68-5C16-10-190		2,800
Total U.S. Department of Agriculture				202,612
<u>U.S. Department of Housing and Urban Development</u>				
<i>Passed-Through State</i>				
Community Development Block Grants Pike County Elkhorn City School	14.228	CDBG 16-014	\$	\$ 6,000
Total U.S. Department of Housing and Urban Development				6,000
<u>U.S. Department of Homeland Security</u>				
<i>Passed-Through State Department of Military Affairs</i>				
Flood Mitigation Assistance	97.029	PO2-095-1500001675-1	\$	\$ 491,300
Disaster Grants - Public Assistance August 2014 Flood	97.036	FEMA-4196-DR-KY		4,310
Disaster Grants - Public Assistance March 2015 Flood	97.036	FEMA-4218-DR-KY		126,933
Disaster Grants - Public Assistance April 2015 Flood	97.036	FEMA-4217-DR-KY		33,030
Total				164,273
Emergency Management Performance Grants 2014 Performance Grant	97.042	PON2-095-1700001447-1		30,726
<i>Passed-Through State Office of Homeland Security</i>				
Homeland Security Grant Program Underwater Sonar Equipment	97.067	PO2-094-1700002382-1		29,855
Homeland Security Grant Program Weapons	97.067	PO2-094-1600006051-1		29,389
Total				59,244
Total U.S. Department of Homeland Security				745,543
Total Expenditures of Federal Awards			\$ 0	\$ 954,155

See the accompanying notes to the Schedule of Expenditures of Federal Awards.

PIKE COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2017

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Pike County, Kentucky under programs of the federal government for the year ended June 30, 2017. 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 Pike County, Kentucky, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Pike County, Kentucky.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the basis of 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.

Note 3. Indirect Cost Rate

Pike County has not adopted an indirect cost rate and did not elect to use the 10 percent *de minimus* cost rate as allowed under the Uniform Guidance.

Note 4. Determination of Major Program

The Type A program for the fiscal year is any program for which total expenditures of federal awards exceed \$750,000 for fiscal year 2017 or were deemed high risk. The major program tested was:

CFDA #97.029 Flood Mitigation Assistance

Note 5. Noncash Expenditures

There were no noncash expenditures of federal awards for fiscal year 2017.

Note 6. Subrecipients

No funds were passed through to subrecipients.

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

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The Honorable William M. Deskins, Pike County Judge/Executive
Members of the Pike 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 Auditors' Report

We were engaged to audit, 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 financial activity contained in the Financial Statement of the Pike County Fiscal Court for the fiscal year ended June 30, 2017, and have issued our report thereon dated January 10, 2018. Our report disclaims an opinion on the Financial Statement of the Pike County Fiscal Court because of the issues discussed in the Basis for Disclaimer of Opinion paragraph in the Independent Auditor's Report.

Internal Control Over Financial Reporting

In connection with our engagement to audit the financial statement, we considered the Pike 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 Pike County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Pike 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. We identified certain deficiencies in internal control, which are described in the accompanying Schedule of Findings and Questioned Costs that we consider to be material weaknesses as items 2017-001 and 2017-002.

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 Pike 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 2017-003, 2017-004, and 2017-005.

Views of Responsible Officials and Planned Corrective Action

Pike 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,



RFH, PLLC
Lexington, Kentucky
January 10, 2018

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

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The Honorable William M. Deskins, Pike County Judge/Executive
Members of the Pike County Fiscal Court

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

Independent Auditors' Report

Report on Compliance for Each Major Federal Program

We were engaged to audit the Pike 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 Pike County Fiscal Court's major federal programs for the year ended June 30, 2017. The Pike 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 federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Pike 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 Pike 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 Pike 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 Pike 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 year ended June 30, 2017.

Report on Internal Control over Compliance

Management of the Pike 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 Pike 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 Pike 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,

RFH

RFH, PLLC
Lexington, Kentucky
January 10, 2018

PIKE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended June 30, 2017

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PIKE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended June 30, 2017

Section I: Summary of Auditor's Results

Type of auditor's report issued: Disclaimer

Financial Statement

Internal control over financial reporting:

Are any material weaknesses identified?	<input checked="" type="checkbox"/> Yes	<input 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

Type of auditor's report issued on compliance for major programs: Unmodified

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:

CFDA Numbers and Name of Federal Program or Cluster

97.029	Flood Mitigation Assistance
--------	-----------------------------

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

PIKE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2017
(Continued)

Section II: Financial Statement Findings

Internal Control - Material Weaknesses

2017-001 The Fiscal Court Did Not Perform Bank Reconciliations Each Month

This is a repeat finding and was included in the prior year audit report as finding 2016-003. The Pike County Treasurer did not complete bank reconciliations for the fiscal year ended June 30, 2017. Additionally, the fiscal court did not perform sufficient oversight or implement internal controls to ensure reconciliations were completed monthly.

According to the county treasurer, the fiscal court had problems implementing new accounting software in 2016, which delayed the entry of certain transactions. Without these transactions, bank reconciliations could not be completed. Additionally, the fiscal court failed to establish appropriate oversight for the county treasurer's reconciliation activities. The fiscal court did not establish relevant review procedures to determine if the county treasurer was submitting complete and accurate reconciliations monthly.

The fiscal court's failure to establish a review of the county treasurer's reconciliations resulted in incorrect reporting of the county's financial position for the fiscal year ended June 30, 2017. As a result, the fiscal court also did not have accurate financial information in order to plan for the subsequent fiscal year. Furthermore, as a result of this failure to complete bank reconciliations and provide complete and accurate financial information, we were unable to provide an opinion on the financial statement of the Pike County Fiscal Court for the fiscal year ended June 30, 2017.

KRS 68.210 states, "[t]he administration of the county uniform budget system shall be under the supervision of the state local finance officer[.]" The Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual* has established minimum requirements for officials handling public funds, which include the preparation of monthly bank reconciliations that include the bank balance and a listing of all outstanding reconciling items (deposits in transit, outstanding checks, investments, etc.). Good internal controls dictate sufficient internal controls be put into place to ensure accurate and complete financial reconciliations and reporting.

We recommend the fiscal court provide sufficient oversight and implement internal controls to ensure bank reconciliations are prepared by the county treasurer and submitted for review by the second court meeting of each month.

Views of Responsible Official and Planned Corrective Action:

Same as last year - Treasurer is working on getting them up to date and agrees to submit them by the second court meeting each month.

2017-002 The Fiscal Court Did Not Record Transfers as They Occurred in the Accounting Software

This is a repeat finding and was included in the prior year audit report as finding 2016-004. The Pike County Treasurer did not record interfund transfers as they were approved by the fiscal court, for the year ended June 30, 2017. The fiscal court did not exercise appropriate oversight to ensure the execution of transfers.

According to the county treasurer, the fiscal court had problems implementing new accounting software during 2016, which delayed bank reconciliations and interfund transfers.

PIKE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2017
(Continued)

Section II: Financial Statement Findings (Continued)

Internal Control - Material Weaknesses (Continued)

2017-002 The Fiscal Court Did Not Record Transfers as They Occurred in the Accounting Software
 (Continued)

As a result, the fiscal court did not have a complete set of accounting records during the year. Because transfers were not appropriately recorded in the accounting software, cash balances were incorrect and the fiscal court could not properly manage their budgets and cash flow.

As a result of the lack of complete and accurate accounting records, we were unable to provide an opinion on the financial statement of the Pike County Fiscal Court for the year ended June 30, 2017.

KRS 68.020(4) requires the county treasurer to “keep an accurate detailed account of all money received and disbursed by him for the county” and “keep books of accounts of the financial transactions of the county in the manner required by the uniform system of accounting prescribed by the state local finance officer.” Additionally, county treasurers are required by the Department for Local Government’s *County Budget Preparation and State Local Finance Officer Policy Manual* to prepare financial reports that include all receipts, claims allowed, and cash balances. Furthermore, good internal controls require sufficient oversight from the governing body to ensure all financial transactions are recorded correctly and timely.

We recommend the fiscal court implement sufficient oversight and internal controls to ensure financial reports prepared by the county treasurer include all financial activity, and that interfund transfers are recorded in the accounting records as they are approved and occur. The fiscal court should require monthly reporting by the county treasurer that is reviewed for accuracy.

Views of Responsible Official and Planned Corrective Action:

Same as last year - Treasurer is working on getting them up to date and agrees to submit them by the second court meeting each month.

State Laws and Regulations

2017-003 The Fiscal Court Did Not Pay Invoices Presented to the Court Within 30 Days of Receipt

This is a repeat finding and was included in the prior year audit report as finding 2016-001. The Pike County Fiscal Court did not pay nine invoices out of the selection tested, within 30 days.

According to the county treasurer, the fiscal court sometimes has to wait for money to come in. They also pay only once a month so some of the invoices could have been presented after the cut-off for one meeting and it may be five or six weeks until the next payment meeting. The fiscal court lacks sufficient oversight and policies and procedures to ensure bills are paid timely. As a result, some vendors were paid outside of the 30-day window.

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

PIKE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2017
(Continued)

Section II: Financial Statement Findings (Continued)

State Laws and Regulations (Continued)

2017-003 The Fiscal Court Did Not Pay Invoices Presented to the Court Within 30 Days of Receipt
 (Continued)

We recommend the fiscal court implement sufficient oversight and policies and procedures to ensure invoices are paid timely.

Views of Responsible Official and Planned Corrective Action:

Same as last year - We try to pay all bills each month and timely. We pay once a month.

2017-004 The Fiscal Court Did Not Submit A Fourth Quarter Report To The Department For Local
 Government Within The Required Timeframe

This is a repeat finding and was included in the prior year audit report as finding 2016-002. The fiscal court did not submit a timely and accurate fourth quarter financial statement to the Department for Local Government (DLG). Due to the lack of internal control over bank reconciliations and internal transfers, many material transactions were not captured in the accounting system at the time the fourth quarter financial statement was due.

According to the county treasurer, the fiscal court had problems implementing new accounting software in 2016, which delayed reporting.

Failure to submit these reports accurately and timely significantly increases the risk of misappropriation of assets and prevents DLG from knowing the financial position of the county. Additionally, when quarterly reporting is not accurate, the fiscal court is not properly informed and cannot manage the county properly.

KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual* requires officials to submit quarterly reports to the Department for Local Government by the 30th day following the close of each quarter.

We recommend the fiscal court implement sufficient oversight and policies and procedures to ensure the county treasurer prepares and presents accurate quarterly reports for review and to ensure the quarterly reports are submitted timely in the future.

Views of Responsible Official and Planned Corrective Action:

Treasurer is trying to get caught back up.

2017-005 The County Treasurer Did Not Present An Annual Settlement To The Fiscal Court Within The
 Time Period Required By State Law

The county treasurer did not present an annual settlement to the fiscal court within the time period required by state law. The county treasurer said she was unable to present an annual settlement timely because she did not have complete accounting records.

PIKE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2017
(Continued)

Section II: Financial Statement Findings (Continued)

State Laws and Regulations (Continued)

2017-005 The County Treasurer Did Not Present An Annual Settlement To The Fiscal Court Within The Time Period Required By State Law (Continued)

KRS 68.020(5) requires an annual settlement to be presented to the fiscal court within 30 days after the close of the fiscal year.

Failure to submit the annual settlement on a timely basis increases the risk of misappropriation of assets and prevents the fiscal court having timely, accurate financial information that could have influenced decisions regarding the county's financial condition.

We recommend the fiscal court implement sufficient oversight and policies and procedures to ensure the county treasurer prepares and presents an accurate annual settlement for review and to ensure the annual settlements are submitted timely in the future.

Views of Responsible Official and Planned Corrective Action:

Treasurer is trying to get caught back up and back on schedule.

Section III: Federal Awards Findings and Questioned Costs

None.

Section IV: Summary Schedule of Prior Audit Findings

The following prior year audit findings were not resolved and are repeated.

Finding Number	Prior Year Finding Title	Status	Corrective Action
2016-001	The Fiscal Court Did Not Pay Invoices Presented To The Court Within 30 Days Of Receipt	Unresolved	See corrective action for current year finding 2017-003
2016-002	The Fiscal Court Did Not Submit An Accurate Fourth Quarter Report To The Department For Local Government Within The Required Timeframe	Unresolved	See corrective action for current year finding 2017-004
2016-003	The Fiscal Court Did Not Perform Bank Reconciliations Each Month	Unresolved	See corrective action for current year finding 2017-001
2016-004	The Fiscal Court Did Not Record Transfers As They Occurred In The Accounting Software	Unresolved	See corrective action for current year finding 2017-002

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

PIKE COUNTY FISCAL COURT

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

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CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS


PIKE COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2017

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



County Judge/Executive



County Treasurer