

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

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



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

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

The enclosed report prepared by Dean Dorton Allen Ford, PLLC, Certified Public Accountants, presents the financial statement of Magoffin County, Kentucky, for the year ended June 30, 2016.

We engaged Dean Dorton Allen Ford, PLLC, to perform the audit of this financial statement. We worked closely with the firm during our report review process; Dean Dorton Allen Ford, PLLC, evaluated the Magoffin 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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**EXECUTIVE SUMMARY**  
**AUDIT OF THE**  
**MAGOFFIN COUNTY FISCAL COURT**

**June 30, 2016**

Dean Dorton Allen Ford, PLLC has completed the audit of the Magoffin County Fiscal Court for fiscal year ended June 30, 2016.

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

**Financial Condition:**

The Magoffin County Fiscal Court had total receipts of \$6,687,557 and disbursements of \$6,632,104 in fiscal year 2016. This resulted in a total ending fund balance of \$1,838,527, which is an increase of \$55,453 from the prior year.

**Findings:**

- 2016-001 The County Did Not Maintain Capital Asset Schedules In Accordance With Regulatory Requirements
- 2016-002 The County's Administrative Code Does Not Address Commuting Mileage Or The Personal Use Of A County Vehicle
- 2016-003 The Fiscal Court Did Not Prepare A Schedule Of Expenditures Of Federal Awards
- 2016-004 The Fiscal Court Lacks Adequate Segregation Of Duties Over Payroll
- 2016-005 The Fiscal Court Does Not Have Adequate Internal Controls Over Gravel Inventory
- 2016-006 The Fiscal Court Does Not Have Adequate Controls Over Health Reimbursement Accounts And Flexible Spending Accounts
- 2016-007 The Fiscal Court Does Not Have Adequate Controls Over Notes Receivable
- 2016-008 The Fiscal Court Does Not Have Adequate Oversight Of Monthly Reconciliation Processes
- 2016-009 The Fiscal Court Did Not Consistently Utilize The Purchase Order System

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CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT .....	1
MAGOFFIN COUNTY OFFICIALS .....	4
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - REGULATORY BASIS.....	6
NOTES TO FINANCIAL STATEMENT.....	10
BUDGETARY COMPARISON SCHEDULES.....	21
NOTES TO REGULATORY SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULES.....	33
SCHEDULE OF CAPITAL ASSETS.....	37
NOTES TO REGULATORY SUPPLEMENTARY INFORMATION - SCHEDULE OF CAPITAL ASSETS.....	38
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 <i>GOVERNMENT AUDITING STANDARDS</i> .....	41
SCHEDULE OF FINDINGS AND RESPONSES.....	45
APPENDIX A: CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	

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To the People of Kentucky  
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Finance and Administration Cabinet  
Honorable Charles E. Hardin, Magoffin County Judge/Executive  
Members of the Magoffin 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 Magoffin County Fiscal Court for the year ended June 30, 2016, and the related notes to the financial statement, which collectively comprise the Magoffin 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  
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Members of the Magoffin County Fiscal Court

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

As described in Note 1 of the financial statement, the financial statement is prepared by the Magoffin 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 Magoffin 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 Magoffin 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 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 Magoffin 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, Secretary  
 Finance and Administration Cabinet  
 Honorable Charles E. Hardin, Magoffin County Judge/Executive  
 Members of the Magoffin County Fiscal Court

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2017, on our consideration of the Magoffin 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 Magoffin 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, which discusses the following report comments:

- 2016-001 The County Did Not Maintain Capital Asset Schedules In Accordance With Regulatory Requirements
- 2016-002 The County's Administrative Code Does Not Address Commuting Mileage Or The Personal Use Of A County Vehicle
- 2016-003 The Fiscal Court Did Not Prepare A Schedule Of Expenditures Of Federal Awards
- 2016-004 The Fiscal Court Lacks Adequate Segregation Of Duties Over Payroll
- 2016-005 The Fiscal Court Does Not Have Adequate Internal Controls Over Gravel Inventory
- 2016-006 The Fiscal Court Does Not Have Adequate Controls Over Health Reimbursement Accounts And Flexible Spending Accounts
- 2016-007 The Fiscal Court Does Not Have Adequate Controls Over Notes Receivable
- 2016-008 The Fiscal Court Does Not Have Adequate Oversight Of Monthly Reconciliation Processes
- 2016-009 The Fiscal Court Did Not Consistently Utilize The Purchase Order System

*Dean Dotson Allen Ford, PLLC*

Louisville, Kentucky  
 June 13, 2017

**MAGOFFIN COUNTY OFFICIALS****For The Year Ended June 30, 2016****Fiscal Court Members:**

Charles Hardin	County Judge/Executive
Gary Risner	Magistrate
Pernell Lemaster	Magistrate
Mathew Wireman	Magistrate

**Other Elected Officials:**

Gregory D. Allen	County Attorney
Bryan Montgomery	Jailer
Renee Arnett Shepherd	County Clerk
Tonya Ward	Circuit Court Clerk
Carson Montgomery	Sheriff
Jerry Swiney	Property Valuation Administrator
Anthony Jenkins	Coroner

**Appointed Personnel:**

Mike Wilson	Deputy Judge
Kila Keaton	County Treasurer
Susie Salyer	Finance Officer

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

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

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

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

	<b>Budgeted Funds</b>				
	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Local Government Economic Assistance Fund</b>	<b>CERF Grant Fund</b>
<b>RECEIPTS</b>					
Taxes	\$ 1,999,481	\$	\$	\$	\$
Excess Fees	30,758				
Licenses and Permits	250,721				
Intergovernmental	435,679	1,936,664	72,898	513,017	49,291
Charges for Services				100	
Miscellaneous	71,199	5,826		17,576	
Interest	299	237	9	24	
<b>Total Receipts</b>	<b>2,788,137</b>	<b>1,942,727</b>	<b>72,907</b>	<b>530,717</b>	<b>49,291</b>
<b>DISBURSEMENTS</b>					
General Government	1,193,452			108,106	
Protection to Persons and Property	180,810		370,110	146,520	
General Health and Sanitation				10,566	
Social Services				46,599	
Recreation and Culture	22,583			146,876	
Roads		1,491,584		77,963	
Debt Service	365,715				
Capital Projects		3,064			254,671
Administration	785,711	260,895	19,208	79,297	
<b>Total Disbursements</b>	<b>2,548,271</b>	<b>1,755,543</b>	<b>389,318</b>	<b>615,927</b>	<b>254,671</b>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	239,866	187,184	(316,411)	(85,210)	(205,380)
<b>Other Adjustments to Cash (Uses)</b>					
Transfers From Other Funds		232,900	307,000	135,000	
Transfers To Other Funds	(511,577)				
<b>Total Other Adjustments to Cash (Uses)</b>	<b>(511,577)</b>	<b>232,900</b>	<b>307,000</b>	<b>135,000</b>	
Net Change in Fund Balance	(271,711)	420,084	(9,411)	49,790	(205,380)
Fund Balance - Beginning (Restated)	939,902	87,119	11,817	75,288	205,380
Fund Balance - Ending	<b>\$ 668,191</b>	<b>\$ 507,203</b>	<b>\$ 2,406</b>	<b>\$ 125,078</b>	<b>\$ 0</b>
<b>Composition of Fund Balance</b>					
Bank Balance	\$ 693,056	\$ 534,667	\$ 2,406	\$ 169,601	\$ 0
Less: Outstanding Checks	(24,865)	(27,464)		(44,523)	
Fund Balance - Ending	<b>\$ 668,191</b>	<b>\$ 507,203</b>	<b>\$ 2,406</b>	<b>\$ 125,078</b>	<b>\$ 0</b>

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

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

<b>Budgeted Funds</b>						
<b>Forestry Fund</b>	<b>Solid Waste Fund</b>	<b>Community Center Sinking Fund</b>	<b>Right of Way Use Fund</b>	<b>Escrow for Clear River Fund</b>	<b>911 Fund</b>	<b>Reserve Fund</b>
\$ 2,325	\$ 76,104	\$	\$	\$	\$ 227,605	\$
	87,414				50,000	
	13,783				282,102	
	58		9		65	
<u>2,325</u>	<u>177,359</u>		<u>9</u>		<u>559,772</u>	
2,957	161,657				197,091	
		9,115				
	52,612				80,629	
<u>2,957</u>	<u>214,269</u>	<u>9,115</u>			<u>277,720</u>	
(632)	(36,910)	(9,115)	9		282,052	
600		8,977			10,000	
				(182,900)		
<u>600</u>		<u>8,977</u>		<u>(182,900)</u>	<u>10,000</u>	
(32)	(36,910)	(138)	9	(182,900)	292,052	
67	162,563	1,760	17,848	250,000	28,935	222
<u>\$ 35</u>	<u>\$ 125,653</u>	<u>\$ 1,622</u>	<u>\$ 17,857</u>	<u>\$ 67,100</u>	<u>\$ 320,987</u>	<u>\$ 222</u>
\$ 35	\$ 130,013	\$ 1,622	\$ 17,857	\$ 67,100	\$ 346,428	\$ 222
	(4,360)				(25,441)	
<u>\$ 35</u>	<u>\$ 125,653</u>	<u>\$ 1,622</u>	<u>\$ 17,857</u>	<u>\$ 67,100</u>	<u>\$ 320,987</u>	<u>\$ 222</u>

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

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

	<u>Unbudgeted Fund</u>	
	<b>Magoffin County Public Properties Corporation Justice Center Fund</b>	<b>Total Funds</b>
<b>RECEIPTS</b>		
Taxes	\$	\$ 2,305,515
Excess Fees		30,758
Licenses and Permits		250,721
Intergovernmental	564,313	3,709,276
Charges for Services		100
Miscellaneous		390,486
Interest		701
Total Receipts	<u>564,313</u>	<u>6,687,557</u>
<b>DISBURSEMENTS</b>		
General Government		1,301,558
Protection to Persons and Property		897,488
General Health and Sanitation		172,223
Social Services		46,599
Recreation and Culture		169,459
Roads		1,569,547
Debt Service	562,813	937,643
Capital Projects		257,735
Administration	1,500	1,279,852
Total Disbursements	<u>564,313</u>	<u>6,632,104</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		55,453
<b>Other Adjustments to Cash (Uses)</b>		
Transfers From Other Funds		694,477
Transfers To Other Funds		(694,477)
Total Other Adjustments to Cash (Uses)		<u>                    </u>
Net Change in Fund Balance		55,453
Fund Balance - Beginning (Restated)	2,173	1,783,074
Fund Balance - Ending	<u>\$ 2,173</u>	<u>\$ 1,838,527</u>
<b>Composition of Fund Balance</b>		
Bank Balance	\$ 2,173	\$ 1,965,180
Less: Outstanding Checks		(126,653)
Fund Balance - Ending	<u>\$ 2,173</u>	<u>\$ 1,838,527</u>

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

**INDEX FOR NOTES  
TO THE FINANCIAL STATEMENT**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES .....	10
NOTE 2.	DEPOSITS .....	13
NOTE 3.	TRANSFERS.....	13
NOTE 4.	NOTE RECEIVABLE .....	13
NOTE 5.	LONG-TERM DEBT .....	13
NOTE 6.	EMPLOYEE RETIREMENT SYSTEM .....	15
NOTE 7.	INSURANCE.....	17
NOTE 8.	HEALTH REIMBURSEMENT ACCOUNT AND FLEXIBLE SPENDING ACCOUNT .....	17
NOTE 9.	CONTINGENCIES .....	17
NOTE 10.	PRIOR PERIOD ADJUSTMENTS .....	17

**MAGOFFIN COUNTY**  
**NOTES TO FINANCIAL STATEMENT**

**June 30, 2016**

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

**A. Reporting Entity**

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

**B. Basis of Accounting**

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

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

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

**C. Basis of Presentation**

**Budgeted Funds**

The fiscal court reports the following budgeted funds:

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

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

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

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

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

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

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

CERF Grant Fund - The primary purpose of this fund is to account for the receipts and disbursements related to the Central Emergency Response Fund (CERF) grant.

Forestry Fund - The primary purpose of this fund is to account for collections and disbursements of taxes relating to fire protection.

Solid Waste Fund - The primary purpose of this fund is to account for solid waste and recycling disbursements. The primary sources of receipts for this fund are franchise fees, state grants, and recycling receipts.

Community Center Sinking Fund - The primary purpose of this fund is to account for debt service requirements of the First Mortgage Revenue Bonds, Series 1995.

Right of Way Use Fund - The primary purpose of this fund is to account for funds collected from private corporations in accordance with terms of a signed contract for the purpose of repairing county right of ways in the event damage is caused by the private corporations.

Escrow for Clear River Fund - The primary purpose of this fund is to account for funds placed in escrow by a private corporation in the event damage is caused to certain county roads when transporting coal.

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

Reserve Fund - The primary purpose of this fund is to account for debt service requirements for bond issues.

**Unbudgeted Fund**

The fiscal court reports the following unbudgeted fund:

Magoffin County Public Properties Corporation Justice Center Fund - The primary purpose of this fund is to account for debt service of revenue bonds that were issued to fund construction of public buildings.

**D. Budgetary Information**

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

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

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

**D. Budgetary Information (Continued)**

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

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

The State Local Finance Officer does not require the Magoffin County Public Properties Corporation Justice Center Fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually.

**E. Magoffin County Elected Officials**

Kentucky law provides for election of the officials listed below from the geographic area constituting Magoffin 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 Magoffin 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 Magoffin County Fiscal Court.

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

**F. Deposits and Investments**

The fiscal court'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 fiscal court's fund balance includes cash and cash equivalents and investments.

KRS 66.480 authorizes the fiscal court 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 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.

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

**Note 2. Deposits**

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

**Custodial Credit Risk - Deposits**

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

**Note 3. Transfers**

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

	Road Fund	Jail Fund	Forestry Fund	Community Center Sinking Fund	LGEA Fund	911 Fund	Total Transfers Out
General Fund	\$ 50,000	\$307,000	\$ 600	\$ 8,977	\$ 135,000	\$ 10,000	\$ 511,577
Escrow for Clear River Fund	182,900						182,900
Total Transfers In	<u>\$232,900</u>	<u>\$307,000</u>	<u>\$ 600</u>	<u>\$ 8,977</u>	<u>\$ 135,000</u>	<u>\$ 10,000</u>	<u>\$ 694,477</u>

Reason for transfers:

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

**Note 4. Note Receivable**

In August 2008, the Magoffin County Fiscal Court loaned \$20,000 to the Magoffin County Water District. The funds were used to install a water line extension to a family that was still carrying water from other sources to the dwelling. No payments had been made as of June 30, 2016.

**Note 5. Long-term Debt**

**A. First Mortgage Revenue Bond, Series 1995**

In June 1995, the fiscal court entered into an agreement with Farmers Home Administration to borrow \$140,000 at five percent interest for the completion of the Magoffin County Community Center Project. The fiscal court pays semiannual installments due on July 1 and January 1 of each year in accordance with a schedule to complete the contract. The principal balance of the agreement was \$64,700 as of June 30, 2016. Future principal and interest requirements are as follows:

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

**Note 5. Long-term Debt (Continued)**

**A. First Mortgage Revenue Bond, Series 1995 (Continued)**

Fiscal Year Ended June 30	Principal	Scheduled Interest
2017	\$ 5,900	\$ 3,235
2018	6,200	2,940
2019	6,500	2,630
2020	6,800	2,305
2021	7,100	1,965
2022-2026	<u>32,200</u>	<u>4,110</u>
Totals	<u>\$ 64,700</u>	<u>\$ 17,185</u>

**B. Magoffin County Public Properties Corporation - Justice Center First Mortgage Refunding Revenue Bonds**

In March 2012, the public properties corporation issued \$5,070,000 in First Mortgage Refunding Revenue Bonds for the payment of debt for the construction of the Justice Center. Semiannual principal and interest payments at rates ranging from one percent to three percent are required in May and November of each year beginning May 2012.

The public properties corporation is acting as an agent for the Administrative Office of the Courts (AOC) in order to manage and maintain the Magoffin County Justice Center. The public properties corporation expects rentals for use of the Magoffin County Justice Center to be in the full amount of the principal and interest requirement of the bonds.

Under the terms of a lease, the AOC has agreed to pay directly to the paying agent bank, the use allowance payment as provided in the lease. The lease agreement is renewable each year. The public properties corporation is in reliance upon the use allowance payment in order to meet debt service on the bonds.

The AOC, with the execution of the lease, expressed its intention to continue to pay the full allowance payment. However, the lease does not obligate the AOC to do so.

As of June 30, 2016, the principal balance on these bonds was \$3,565,000. Future principal and interest requirements are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2017	\$ 475,000	\$ 88,513
2018	485,000	79,013
2019	490,000	69,313
2020	505,000	58,288
2021	520,000	45,663
2022-2023	<u>1,090,000</u>	<u>48,012</u>
Totals	<u>\$ 3,565,000</u>	<u>\$ 388,802</u>

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

**Note 5. Long-term Debt (Continued)**

**C. Kentucky Association of Counties Finance Corporation - Road Paving Lease**

In October 2013, the Magoffin County Fiscal Court entered into a lease with the Kentucky Association of Counties Finance Corporation for the purpose of paving roads in Magoffin County. The total proceeds of the lease were \$3,000,000. The fiscal court is required to make monthly principle and interest payments at 2.75 percent. The final payment of the lease is due January 2024. The principal balance of the agreement was \$2,350,417 as of June 30, 2016. Future lease principal and interest requirements are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2017	\$ 279,167	\$ 66,515
2018	287,083	60,931
2019	294,167	54,585
2020	304,167	47,231
2021	314,167	38,981
2022-2024	871,666	55,381
Totals	<u>\$ 2,350,417</u>	<u>\$ 323,624</u>

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

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds	\$ 4,100,300	\$	\$ 470,600	\$ 3,629,700	\$ 480,900
Financing Obligations	2,622,500		272,083	2,350,417	279,167
Total Long-term Debt	<u>\$ 6,722,800</u>	<u>\$ 0</u>	<u>\$ 742,683</u>	<u>\$ 5,980,117</u>	<u>\$ 760,067</u>

**Note 6. Employee Retirement System**

**A. Plan Description**

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). This is a cost sharing, multiple employer defined benefit pension plan that covers all eligible regular full-time members employed in non-hazardous and hazardous duty positions in the fiscal court. The fiscal court has no hazardous duty personnel. 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 fiscal court's contribution rate for nonhazardous employees was 17.06 percent.

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

**Note 6. 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, are 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 fiscal court's contribution for fiscal year 2014 was \$271,211, fiscal year 2015 was \$291,329, and fiscal year 2016 was \$257,665.

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 (members 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:

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

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

Kentucky Retirement Systems 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.

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

**Note 6. Employee Retirement System (Continued)**

KRS also issues a proportionate share audit report that includes the total pension liability for CERS determined by actuarial valuations 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 7. Insurance**

For the fiscal year ended June 30, 2016, the 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 8. Health Reimbursement Account and Flexible Spending Account**

- A. The fiscal court allows employees to participate in a health reimbursement account for employees who waive health insurance coverage provided by the fiscal court. The fiscal court contributes the value of a single health insurance plan and employees are required to submit adequate documentation for qualified medical expenses to receive reimbursement. Employees forfeit any remaining balance of funds not utilized during the year. During fiscal year 2016, three employees participated in the program, which is administered by the county treasurer.
- B. The fiscal court allows employees to participate in a flexible spending account to provide employees an additional health benefit. Employees contribute pre-tax funds through payroll deduction and are required to submit adequate documentation for qualified medical expenses to receive reimbursement. During fiscal year 2016, one employee participated in the program, which is administered by the county treasurer.

**Note 9. Contingencies**

The fiscal court has entered into an agreement with a private corporation to grant the corporation the right and authority to transport, haul, and transfer coal from its coal mine sites upon and across a particular Magoffin County roadway. In exchange for the use of the roadway and to help defer any additional maintenance costs that may arise as a consequence of the expected heavier traffic flow from this anticipated transport of coal, the corporation agrees to pay into an escrow account to be maintained by the fiscal court an amount of fifty cents per ton of coal hauled, not to exceed \$250,000 per year. From each fifty cents per ton of coal hauled across the roadway, the fiscal court shall receive five cents per ton to help defray any additional costs of upkeep, repair, or maintenance caused by heavier use of such coal transportation. The balance of any and all monies held in the account not otherwise used by the fiscal court to repair, maintain or upkeep of the roadway shall revert back to the corporation.

**Note 10. Prior Period Adjustments**

The county treasurer voided certain prior year outstanding checks. The voided prior year checks resulted in an increase to the beginning balance of the general fund of \$80, road fund of \$1,999, jail fund of \$6,014, and the LGEA fund of \$1,300.

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**MAGOFFIN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Regulatory Basis**

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

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**MAGOFFIN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Regulatory Basis**

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

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 1,899,200	\$ 2,105,856	\$ 1,999,481	\$ (106,375)
Excess Fees		30,758	30,758	
Licenses and Permits	74,700	85,438	250,721	165,283
Intergovernmental	323,687	501,153	435,679	(65,474)
Miscellaneous	30,000	62,953	71,199	8,246
Interest	300	300	299	(1)
Total Receipts	<u>2,327,887</u>	<u>2,786,458</u>	<u>2,788,137</u>	<u>1,679</u>
<b>DISBURSEMENTS</b>				
General Government	1,168,856	1,473,922	1,193,452	280,470
Protection to Persons and Property	68,777	183,827	180,810	3,017
Recreation and Culture	137,500	137,500	22,583	114,917
Debt Service	365,715	365,715	365,715	
Administration	798,044	913,885	785,711	128,174
Total Disbursements	<u>2,538,892</u>	<u>3,074,849</u>	<u>2,548,271</u>	<u>526,578</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(211,005)	(288,391)	239,866	528,257
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds	(651,511)	(651,511)	(511,577)	139,934
Total Other Adjustments to Cash (Uses)	<u>(651,511)</u>	<u>(651,511)</u>	<u>(511,577)</u>	<u>139,934</u>
Net Change in Fund Balance	(862,516)	(939,902)	(271,711)	668,191
Fund Balance - Beginning (Restated)	862,516	939,902	939,902	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 668,191</u>	<u>\$ 668,191</u>

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

	<b>ROAD FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 1,267,322	\$ 2,228,727	\$ 1,936,664	\$ (292,063)
Licenses and Permits	56,000	56,000		(56,000)
Miscellaneous		5,826	5,826	
Interest	150	150	237	87
Total Receipts	<u>1,323,472</u>	<u>2,290,703</u>	<u>1,942,727</u>	<u>(347,976)</u>
<b>DISBURSEMENTS</b>				
Roads	1,150,056	2,180,393	1,491,584	688,809
Capital Projects		3,064	3,064	
Administration	312,726	314,533	260,895	53,638
Total Disbursements	<u>1,462,782</u>	<u>2,497,990</u>	<u>1,755,543</u>	<u>742,447</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(139,310)	(207,287)	187,184	394,471
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	<u>139,310</u>	<u>139,310</u>	<u>232,900</u>	<u>93,590</u>
Total Other Adjustments to Cash (Uses)	<u>139,310</u>	<u>139,310</u>	<u>232,900</u>	<u>93,590</u>
Net Change in Fund Balance		(67,977)	420,084	488,061
Fund Balance - Beginning (Restated)		<u>67,977</u>	<u>87,119</u>	<u>19,142</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 507,203</u>	<u>\$ 507,203</u>

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

	<b>JAIL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 68,852	\$ 69,285	\$ 72,898	\$ 3,613
Interest	10	10	9	(1)
Total Receipts	<u>68,862</u>	<u>69,295</u>	<u>72,907</u>	<u>3,612</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	372,444	378,530	370,110	8,420
Administration	26,636	26,786	19,208	7,578
Total Disbursements	<u>399,080</u>	<u>405,316</u>	<u>389,318</u>	<u>15,998</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(330,218)	(336,021)	(316,411)	19,610
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	330,218	330,218	307,000	(23,218)
Total Other Adjustments to Cash (Uses)	<u>330,218</u>	<u>330,218</u>	<u>307,000</u>	<u>(23,218)</u>
Net Change in Fund Balance		(5,803)	(9,411)	(3,608)
Fund Balance - Beginning (Restated)		<u>5,803</u>	<u>11,817</u>	<u>6,014</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,406</u>	<u>\$ 2,406</u>

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

<b>LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 496,485	\$ 496,485	\$ 513,017	\$ 16,532
Charges for Services	200	200	100	(100)
Miscellaneous	10,000	18,535	17,576	(959)
Interest	75	75	24	(51)
Total Receipts	<u>506,760</u>	<u>515,295</u>	<u>530,717</u>	<u>15,422</u>
<b>DISBURSEMENTS</b>				
General Government	80,024	109,617	108,106	1,511
Protection to Persons and Property	183,757	197,469	146,520	50,949
General Health and Sanitation	12,625	12,625	10,566	2,059
Social Services	50,000	49,154	46,599	2,555
Recreation and Culture	160,504	182,909	146,876	36,033
Roads	123,872	123,872	77,963	45,909
Administration	68,346	87,305	79,297	8,008
Total Disbursements	<u>679,128</u>	<u>762,951</u>	<u>615,927</u>	<u>147,024</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(172,368)	(247,656)	(85,210)	162,446
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	<u>172,368</u>	<u>172,368</u>	<u>135,000</u>	<u>(37,368)</u>
Total Other Adjustments to Cash (Uses)	<u>172,368</u>	<u>172,368</u>	<u>135,000</u>	<u>(37,368)</u>
Net Change in Fund Balance		(75,288)	49,790	125,078
Fund Balance - Beginning (Restated)		<u>75,288</u>	<u>75,288</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 125,078</u>	<u>\$ 125,078</u>

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

	<b>CERF GRANT FUND</b>			
	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>RECEIPTS</b>				
Intergovernmental	\$ 254,671	\$ 254,671	\$ 49,291	\$ (205,380)
Total Receipts	<u>254,671</u>	<u>254,671</u>	<u>49,291</u>	<u>(205,380)</u>
<b>DISBURSEMENTS</b>				
Capital Projects	254,671	254,671	254,671	
Total Disbursements	<u>254,671</u>	<u>254,671</u>	<u>254,671</u>	
Net Change in Fund Balance			(205,380)	(205,380)
Fund Balance - Beginning			<u>205,380</u>	<u>205,380</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

	<b>FORESTRY FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 2,500	\$ 2,500	\$ 2,325	\$ (175)
Total Receipts	<u>2,500</u>	<u>2,500</u>	<u>2,325</u>	<u>(175)</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	3,000	3,000	2,957	43
Total Disbursements	<u>3,000</u>	<u>3,000</u>	<u>2,957</u>	<u>43</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(500)	(500)	(632)	(132)
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	500	500	600	100
Total Other Adjustments to Cash (Uses)	<u>500</u>	<u>500</u>	<u>600</u>	<u>100</u>
Net Change in Fund Balance			(32)	(32)
Fund Balance - Beginning			<u>67</u>	<u>67</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 35</u>	<u>\$ 35</u>

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

	<b>SOLID WASTE FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 80,000	\$ 80,000	\$ 76,104	\$ (3,896)
Intergovernmental	4,000	67,204	87,414	20,210
Miscellaneous	13,000	13,000	13,783	783
Interest	50	50	58	8
Total Receipts	<u>97,050</u>	<u>160,254</u>	<u>177,359</u>	<u>17,105</u>
<b>DISBURSEMENTS</b>				
General Health and Sanitation	169,978	254,341	161,657	92,684
Administration	68,476	68,476	52,612	15,864
Total Disbursements	<u>238,454</u>	<u>322,817</u>	<u>214,269</u>	<u>108,548</u>
Net Change in Fund Balance	(141,404)	(162,563)	(36,910)	125,653
Fund Balance - Beginning	<u>141,404</u>	<u>162,563</u>	<u>162,563</u>	<u></u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 125,653</u>	<u>\$ 125,653</u>

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

**COMMUNITY CENTER SINKING FUND**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>DISBURSEMENTS</b>				
Debt Service	\$ 9,115	\$ 9,115	\$ 9,115	\$
Total Disbursements	<u>9,115</u>	<u>9,115</u>	<u>9,115</u>	
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(9,115)	(9,115)	(9,115)	
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	9,115	9,115	8,977	(138)
Total Other Adjustments to Cash (Uses)	<u>9,115</u>	<u>9,115</u>	<u>8,977</u>	<u>(138)</u>
Net Change in Fund Balance			(138)	(138)
Fund Balance - Beginning			<u>1,760</u>	<u>1,760</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,622</u>	<u>\$ 1,622</u>

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

	<b>RIGHT OF WAY USE FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Interest	\$		\$ 9	\$ 9
Total Receipts			9	9
<b>DISBURSEMENTS</b>				
Roads		5,000	5,000	5,000
Total Disbursements		5,000	5,000	5,000
Net Change in Fund Balance		(5,000)	(5,000)	9
Fund Balance - Beginning		5,000	17,848	12,848
Fund Balance - Ending	\$	0	\$ 17,857	\$ 17,857

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

<b>ESCROW FOR CLEAR RIVER FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>DISBURSEMENTS</b>				
Administration	\$ 250,000	\$ 250,000	\$	\$ 250,000
Total Disbursements	250,000	250,000		250,000
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds			(182,900)	(182,900)
Total Other Adjustments to Cash (Uses)			(182,900)	(182,900)
Net Change in Fund Balance	(250,000)	(250,000)	(182,900)	67,100
Fund Balance - Beginning	250,000	250,000	250,000	
Fund Balance - Ending	\$ 0	\$ 0	\$ 67,100	\$ 67,100

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

	<b>911 FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 215,172	\$ 215,172	\$ 227,605	\$ 12,433
Intergovernmental			50,000	50,000
Miscellaneous		282,102	282,102	
Interest	10	10	65	55
Total Receipts	<u>215,182</u>	<u>497,284</u>	<u>559,772</u>	<u>62,488</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	149,607	202,747	197,091	5,656
Administration	65,575	323,472	80,629	242,843
Total Disbursements	<u>215,182</u>	<u>526,219</u>	<u>277,720</u>	<u>248,499</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		(28,935)	282,052	310,987
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds			10,000	10,000
Total Other Adjustments to Cash (Uses)			<u>10,000</u>	<u>10,000</u>
Net Change in Fund Balance		(28,935)	292,052	320,987
Fund Balance - Beginning		<u>28,935</u>	<u>28,935</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 320,987</u>	<u>\$ 320,987</u>

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

	<b>RESERVE FUND</b>			
	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>DISBURSEMENTS</b>				
Debt Service	\$ 221	\$ 221	\$	\$ 221
Total Disbursements	<u>221</u>	<u>221</u>		<u>221</u>
Net Change in Fund Balance	(221)	(221)		221
Fund Balance - Beginning	<u>221</u>	<u>221</u>	<u>222</u>	<u>1</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 222</u>	<u>\$ 222</u>

**MAGOFFIN 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.

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

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**MAGOFFIN 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	\$ 1,479,003	\$	\$	\$ 1,479,003
Buildings and Building Improvements	12,604,539			12,604,539
Vehicles and Equipment	1,573,739	39,664		1,613,403
Infrastructure	8,535,810	482,992		9,018,802
Total Capital Assets	<u>\$ 24,193,091</u>	<u>\$ 522,656</u>	<u>\$ 0</u>	<u>\$ 24,715,747</u>

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

**June 30, 2016**

**Note 1. Capital Assets**

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

	Capitalization Threshold	Useful Life (Years)
Land (not depreciated)	\$ 5,000	
Buildings and Building Improvements	\$ 5,000	10-50
Vehicles and Equipment	\$ 5,000	5-25
Infrastructure	\$ 5,000	20

**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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The Honorable Charles E. Hardin, Magoffin County Judge/Executive  
Members of the Magoffin 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 Magoffin County Fiscal Court for the fiscal year ended June 30, 2016, and the related notes to the financial statement and have issued our report thereon dated June 13, 2017.

**Internal Control Over Financial Reporting**

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

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

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

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2016-006, 2016-007, 2016-008, and 2016-009 to be significant deficiencies.

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*  
(Continued)

**Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the Magoffin 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 2016-001, 2016-002, and 2016-003.

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

Magoffin 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.

*Dean Dotson Allen Ford, PLLC*

Louisville, Kentucky  
June 13, 2017

**MAGOFFIN COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES**

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

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**MAGOFFIN COUNTY**  
**SCHEDULE OF FINDINGS AND RESPONSES**

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

**STATE LAWS AND REGULATIONS:**

2016-001 The County Did Not Maintain Capital Asset Schedules In Accordance With Regulatory Requirements

---

The fiscal court did not maintain a complete and accurate capital asset schedule for fiscal year ending June 30, 2016. This is a repeat finding and was included in the prior year audit report as finding 2015-001. The fiscal court has historically not maintained a fixed asset register and has relied upon the auditor to update fixed asset information within the financial statements based upon information related to additions, retirements, and disposals provided by the fiscal court. The fiscal court is not in compliance with the requirements of the DLG and fixed asset information in the financial statements may be misstated.

The Department for Local Government (DLG) requires fiscal courts to track capital assets (i.e. land, buildings, equipment, vehicles, infrastructure, etc.) and maintain a listing of capital assets to be provided to auditors for inclusion in the audit report. This list should include all current year additions/purchases, retirements, disposals/sale of assets, etc. Any related documentation for capital asset additions, retirements, and disposals in the form of invoices, deeds, purchase orders, sales records, titles, liens, etc. should be maintained in a manner that facilitates easy access, retrieval, and verification of capital asset amounts recorded.

We recommend the fiscal court implement procedures to identify and track capital asset additions, retirements, and disposals in order for capital asset schedules to be complete and accurate. Additionally, we recommend the fiscal court perform physical inventories periodically to further ensure the accuracy and completeness of capital asset schedules.

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

*County Judge/Executive's Response: Recommendation accepted.*

2016-002 The County's Administrative Code Does Not Address Commuting Mileage Or The Personal Use Of A County Vehicle

---

Fiscal court employees' personal use (e.g. commuting mileage) of a vehicle, or other asset, owned by the fiscal court is not being reported as compensation to the employees. The fiscal court's administrative code does not address the use of a vehicles and other asset owned by the fiscal court, therefore, it is unclear as to whether personal use of the vehicles and other assets is authorized by the fiscal court. This is a repeat finding and was included in the prior year audit report as finding 2015-002. The fiscal court understands the recommendation, but as of June 30, 2016 has not been able to implement the recommendation. Personal use of public resources is permitted if the fiscal court has approved such use and should be reported as compensation to employees. Historically, the fiscal court has not maintained the appropriate documentation or complied with Internal Revenue Code Section 61(a). Internal Revenue Code Section 61(a) states that the commuting value of a vehicle owned or leased by a public entity represents taxable income to the employee. The fiscal court's administrative code should address the use of vehicles and other assets owned by the fiscal court.

We recommend the fiscal court establish internal controls over vehicles by implementing the following:

- Report personal use and commuting mileage for vehicles as compensation/employee benefit on W-2 wage and tax statements in accordance with IRS regulations. Several methods can be used to determine the vehicle use that is taxable income to the employees, including the cents-per-mile rule, the lease value rule, and the commuting rule.

**MAGOFFIN COUNTY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**Fiscal Year Ended June 30, 2016**  
**(Continued)**

STATE LAWS AND REGULATIONS: (Continued)

2016-002 The County's Administrative Code Does Not Address Commuting Mileage Or The Personal Use Of A County Vehicle (Continued)

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- Every employee and every department that has vehicles should maintain vehicle logs. The logs should include, at a minimum, the date, destination, purpose, and mileage for all use of the vehicle.
- The fiscal court should amend the current administrative code to include a policy on the authorization and use of vehicles (and other assets) owned by the fiscal court. In addition, it should address the tax implications of using a vehicle for personal use or commuting travel.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: Will address with fiscal court.*

2016-003 The Fiscal Court Did Not Prepare A Schedule Of Expenditures of Federal Awards

---

The fiscal court did not timely prepare a SEFA for fiscal year ended June 30, 2016. Historically, the fiscal court has not timely prepared the SEFA. This is a repeat finding and was included in the prior year audit report as finding 2015-003.

The fiscal court's small accounting department makes it difficult for all requirements of the accounting department to be performed timely. By not timely preparing a SEFA, the fiscal court creates the risk of a single audit not being performed, if needed, which could affect the fiscal court's ability to receive federal funding.

The fiscal court is required to prepare a Schedule of Expenditures of Federal Awards (SEFA) for each fiscal year in order to determine whether an audit in accordance with the provisions of the Single Audit Act, Subpart F of Title 2 U.S. CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the U.S. Office of Management and Budget's (OMB) Compliance Supplement is required.

The fiscal court should timely prepare a SEFA. At a minimum, the SEFA should include the following, if applicable:

- A listing of individual federal programs by federal agency.
- For federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity.
- Total federal awards expended for each individual federal program and the Catalogue of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.
- Total amount provided to subrecipients from each federal program.
- The value of the federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year-end.
- Notes that describe the significant accounting policies used in preparing the SEFA.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: Will abide by recommendation and improve timeliness.*

**MAGOFFIN COUNTY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**Fiscal Year Ended June 30, 2016**  
**(Continued)**

INTERNAL CONTROL - MATERIAL WEAKNESSES:

2016-004 The Fiscal Court Lacks Adequate Segregation Of Duties Over Payroll

---

This is a repeat finding and was included in the prior year audit report as finding 2015-005. We noted inadequate segregation of duties for payroll. The treasurer is responsible for maintaining timesheets, entering payroll information into the computer system for processing, posting to the payroll ledgers, transferring funds to the revolving payroll account, administering health reimbursement and flex spending programs, preparing pay checks, preparing state and local withholding reports, and reconciling the payroll account. By delegating all these duties to the same individual, the risk of undetected fraud and errors will occur increases. The fiscal court has a small accounting/payroll department and segregation of duties has been challenging to achieve.

Segregation of duties is an essential element of sustainable risk management and internal controls. The principle of segregation of duties is based on shared responsibilities of a key process that disperses the critical functions of that process to more than one person or department. A strong internal control system does not allow one person to perform processing, documentation, and reporting functions.

We recommend the fiscal court find ways to segregate key duties related to payroll or implement other controls to compensate for these weaknesses (for example, designating an individual to review the payroll ledgers, reconciliations, and reports, and requiring the individual to document their review by initialing the documents that were reviewed).

Views of Responsible Officials and Planned Corrective Action:

*County Judge/Executive's Response: Changes were made after the FY2015 audit. The Deputy Judge reviews and signs time sheets, Finance Officer post[s] to ledger and secretary reviews checks.*

2016-005 The Fiscal Court Does Not Have Adequate Internal Controls Over Gravel Inventory

---

This is a repeat finding and was included in the prior year audit report as finding 2015-006. The fiscal court does not have adequate internal controls over gravel purchased and stored at the Road Department. Review of the controls over gravel revealed the fiscal court maintains a log for gravel transported out to county roads, however, the log is not updated consistently. In addition, the log does not track the gravel hauled to the Road Department from the rock quarry. During our procedures relating to expenditures, we noted gravel purchases for fiscal year 2016 were \$72,841.

The fiscal court understands the recommendation, but as of June 30, 2016, has not been able to implement the recommendation. The fiscal court's lack of internal controls has created an opportunity for misappropriation of the assets to occur or for errors in the value of the gravel inventory to remain undetected in the financial statements.

The fiscal court should have appropriate controls over gravel inventory in order to prevent errors within the financial statements, and also protect the fiscal court against theft of gravel inventory.

We recommend the fiscal court maintain a log that tracks the gravel being hauled to the Road Department and also tracks the gravel hauled from the Road Department. This would allow an estimate of the gravel on hand to be calculated and costed. The gravel inventory should be periodically counted to determine if a shortage exists.

**MAGOFFIN COUNTY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**Fiscal Year Ended June 30, 2016**  
**(Continued)**

INTERNAL CONTROL - MATERIAL WEAKNESSES: (Continued)

2016-005 The Fiscal Court Does Not Have Adequate Internal Controls Over Gravel Inventory (Continued)

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: Recommendation accepted.*

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES:

2016-006 The Fiscal Court Does Not Have Adequate Controls Over Health Reimbursement Accounts And Flexible Spending Accounts

This is a repeat finding and was included in the prior year audit report as finding 2015-007. The fiscal court does not adequately track health reimbursement account and flexible spending account contributions. The amounts contributed to these accounts are not maintained separately from regular fiscal court funds and payroll funds and cannot be easily identified in the accounting records. These monies do not belong to the fiscal court and good internal controls require that these monies be maintained and tracked separately in the accounting system.

The fiscal court understands the recommendation, but as of June 30, 2016, has not been able to implement the recommendation. During fiscal year 2017, the fiscal court opened a separate bank account in order to track and identify health reimbursement and flexible spending accounts for all employees who participate in the program. Failure to track these accounts separately increases the risk that the monies could be misappropriated.

The fiscal court should properly track all expenditures and should not commingle assets of the fiscal court with assets owned by third parties. We recommend the fiscal court opened a separate bank account in order to track and identify health reimbursement and flexible spending accounts for all employees who participate in the program.

Views of Responsible Officials and Planned Corrective Action:

*County Judge/Executive's Response: A new bank account was opened for the flex spending account as we said would be after the June 30, 2013 audit.*

2016-007 The Fiscal Court Does Not Have Adequate Controls Over Notes Receivable

This is a repeat finding and was included in the prior year financial statements as finding 2015-008. The fiscal court does not have proper oversight and controls over notes receivable. In August 2008, the fiscal court loaned the Magoffin County Water District \$20,000 for a water project. The water district has not made any payments to date and the entire amount is still outstanding. In September 2011, the fiscal court loaned \$50,000 to the Magoffin County Water District, who then loaned the money to the Salyersville Water District for water projects. The fiscal court minutes indicate this was a loan, but it has not been repaid.

The fiscal court understands the recommendation, but as of June 30, 2016, has not been able to implement the recommendation. Failure to follow up on notes receivable, a lack of payment plans, and having notes receivable outstanding for significant time periods deprives the fiscal court of needed funds.

**MAGOFFIN COUNTY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**Fiscal Year Ended June 30, 2016**  
**(Continued)**

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES: (Continued)

2016-007 The Fiscal Court Does Not Have Adequate Controls Over Notes Receivable (Continued)

To ensure that the fiscal court's assets are properly safeguarded and the fiscal court has the appropriate remedies available for lack of payment of receivables, the fiscal court should ensure that internal controls and agreements related to receivables are properly maintained. We recommend the fiscal court review the terms of all notes receivable to determine if the fiscal court will pursue collection or alternate disposition (i.e. loan forgiveness) and document those decisions in the fiscal court minutes.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: With respect to the \$50,000 given to the City of Salyersville, the Fiscal Court will review the terms of the loan. The loan to Magoffin County Water District was forgiven.*

2016-008 The Fiscal Court Does Not Have Adequate Oversight Of Monthly Reconciliation Processes

This finding was included in the prior year financial statements as finding #2015-009. The Finance Officer's appropriation ledger is not reconciled on a monthly basis. Historically, this reconciliation has not been performed. The fiscal court has a small accounting department and performing all required reconciliations on a timely basis has been challenging to achieve. Errors that would be identified by performing this reconciliation may remain undetected in the financial statements. The DLG manual requires that the Finance Officer's appropriation ledger is reconciled on a monthly basis with the Treasurer's information. We recommend that the Treasurer and Finance Officer's appropriation ledgers are reconciled on a monthly basis.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: Recommendation accepted.*

2016-009 The Fiscal Court Did Not Consistently Utilize The Purchase Order System

The fiscal court is not consistently utilizing the purchase order system in accordance with the DLG guidelines. Purchases for certain services, such as election expenses, pest control, landscaping and routine maintenance did not have purchase orders. The fiscal court has a small accounting department and preparing purchase orders for all purchases is challenging to achieve. Failure to maintain appropriate records for purchase orders could result in incorrect amounts being paid or not having adequate funds or sufficient budget appropriation available.

The DLG Budget Manual states "purchases shall not be made prior to approval by the county judge/executive (or designee) or department head." The DLG guidelines require that the fiscal court issue purchase orders for all purchases.

We recommend that the fiscal court require purchase orders be obtained prior to items being ordered or services received to determine adequate funds and budget appropriations are available for the purchase. Purchase orders should be completely filled out at the time of issuance. Additionally, we recommend that the fiscal court properly utilize the purchase order system in order to comply with the DLG Budget Manual requirements.

Views of Responsible Officials and Planned Corrective Action:

*County Judge/Executive's Response: Recommendation accepted.*

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

**MAGOFFIN COUNTY FISCAL COURT**

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

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CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE  
MAGOFFIN COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2016

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



County Judge/Executive



County Treasurer