

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

**For The Year Ended
June 30, 2019**



**MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817
TELEPHONE (502) 564-5841
FACSIMILE (502) 564-2912**

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
The Honorable John A. Phelps, Jr., Cumberland County Judge/Executive
Members of the Cumberland 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 Cumberland County Fiscal Court, for the year ended June 30, 2019, and the related notes to the financial statement which collectively comprise the Cumberland County Fiscal Court's financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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



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

As described in Note 1 of the financial statement, the financial statement is prepared by the Cumberland 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 Cumberland County Fiscal Court as of June 30, 2019, 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 Cumberland County Fiscal Court as of June 30, 2019, and their respective cash receipts and disbursements, and budgetary results for the year then ended, in accordance with the basis of accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of the Cumberland County Fiscal Court. The Budgetary Comparison Schedules (supplementary information) and Schedule of Capital Assets (other information) 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 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 are fairly stated in all material respects in relation to the financial statement as a whole.

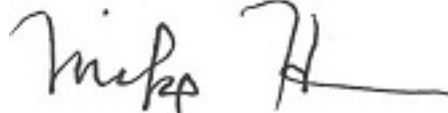
The Schedule of Capital Assets has not been subjected to the auditing procedures applied in the audit of the basic financial statement, and accordingly, we do not express an opinion or provide any assurance on it.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2020, on our consideration of the Cumberland 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 Cumberland County Fiscal Court's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a long horizontal line extending to the right.

Mike Harmon
Auditor of Public Accounts

November 20, 2020

CUMBERLAND COUNTY OFFICIALS**For The Year Ended June 30, 2019****Fiscal Court Members:**

John A. Phelps, Jr.	County Judge/Executive
Jeffrey Cyphers	Magistrate
Edward Anderson	Magistrate
James V. Groce	Magistrate
Rondall Wray	Magistrate

Other Elected Officials:

Lindsey Bell	County Attorney
Thomas J. Brown	Jailer
Kim King	County Clerk
Tracy Daniels	Circuit Court Clerk
Scot Daniels	Sheriff
Gina Shaye Watson	Property Valuation Administrator
Gary White	Coroner

Appointed Personnel:

Stacey Thrasher	County Treasurer
Stacey Thrasher	Occupational Tax Administrator
Eugenia Ferguson	Finance Officer

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

For The Year Ended June 30, 2019

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

For The Year Ended June 30, 2019

	<u>Budgeted Funds</u>		
	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>
RECEIPTS			
Taxes	\$ 961,895	\$	\$
In Lieu Tax Payments	62,367		
Excess Fees	32,482		
Licenses and Permits	9,639		
Intergovernmental	319,863	1,433,437	86,538
Charges for Services			434
Miscellaneous	114,065	20,533	2,815
Interest	504	1,261	49
Total Receipts	<u>1,500,815</u>	<u>1,455,231</u>	<u>89,836</u>
DISBURSEMENTS			
General Government	763,686	15,186	
Protection to Persons and Property	70,317		414,877
General Health and Sanitation	73,322		
Recreation and Culture	69,300		
Transportation Facility and Services		7,610	
Roads		1,155,105	
Debt Service	33,720	63,453	
Capital Projects		3,332	
Administration	353,200	249,026	24,938
Total Disbursements	<u>1,363,545</u>	<u>1,493,712</u>	<u>439,815</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>137,270</u>	<u>(38,481)</u>	<u>(349,979)</u>
Other Adjustments to Cash (Uses)			
Financing Obligation Proceeds		191,055	
Transfers From Other Funds	181,192		351,995
Transfers To Other Funds	(351,300)	(170,300)	
Total Other Adjustments to Cash (Uses)	<u>(170,108)</u>	<u>20,755</u>	<u>351,995</u>
Net Change in Fund Balance	(32,838)	(17,726)	2,016
Fund Balance - Beginning	114,625	284,254	5,542
Fund Balance - Ending	<u>\$ 81,787</u>	<u>\$ 266,528</u>	<u>\$ 7,558</u>
Composition of Fund Balance			
Bank Balance	\$ 87,701	\$ 275,365	\$ 8,524
Less: Outstanding Checks	(5,914)	(8,837)	(966)
Fund Balance - Ending	<u>\$ 81,787</u>	<u>\$ 266,528</u>	<u>\$ 7,558</u>

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

CUMBERLAND COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2019
(Continued)

Local Government Economic Assistance Fund	Budgeted Funds			Unbudgeted Fund	
	Federal Fund	911 Fund	Health Services Fund	Public Properties Corporation Fund	Total Funds
\$	\$	\$ 235,644	\$	\$	\$ 1,197,539
	11,132				73,499
					32,482
					9,639
34,584	60,192			440,641	2,375,255
					434
			651,555		788,968
111			2,408	147	4,480
<u>34,695</u>	<u>71,324</u>	<u>235,644</u>	<u>653,963</u>	<u>440,788</u>	<u>4,482,296</u>
11,094	22,413	266,782			1,079,161
10,421					495,615
	4,500				77,822
					69,300
					7,610
					1,155,105
3,501			586,722	412,624	1,100,020
			122,260		125,592
9,490				28,067	664,721
<u>34,506</u>	<u>26,913</u>	<u>266,782</u>	<u>708,982</u>	<u>440,691</u>	<u>4,774,946</u>
189	44,411	(31,138)	(55,019)	97	(292,650)
					191,055
	500				533,687
	(10,892)	(1,195)			(533,687)
	<u>(10,392)</u>	<u>(1,195)</u>			<u>191,055</u>
189	34,019	(32,333)	(55,019)	97	(101,595)
35,032	10,892	45,700	957,355	694	1,454,094
<u>\$ 35,221</u>	<u>\$ 44,911</u>	<u>\$ 13,367</u>	<u>\$ 902,336</u>	<u>\$ 791</u>	<u>\$ 1,352,499</u>
\$ 35,221	\$ 44,911	\$ 13,367	\$ 902,336	\$ 791	\$ 1,368,216
					(15,717)
<u>\$ 35,221</u>	<u>\$ 44,911</u>	<u>\$ 13,367</u>	<u>\$ 902,336</u>	<u>\$ 791</u>	<u>\$ 1,352,499</u>

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

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TO THE FINANCIAL STATEMENT**

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**CUMBERLAND COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2019

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

The Cumberland County Hospital Association, Inc. and the Cumberland County Tourism Commission would have been included in the reporting entity under accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. However, under the regulatory basis, they are no longer required components of the reporting entity. Audits of the following entities can be obtained from the Cumberland County Fiscal Court.

- Cumberland County Tourism Commission - Last Audit Completed for period ending June 30, 2014
- Cumberland County Hospital Association, Inc. - Last audit completed for period ending June 30, 2019

B. Basis of Accounting

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

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

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

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

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

CUMBERLAND COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

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

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

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

Federal Fund - The primary purpose of this fund is to account for grants and related disbursements. The primary source of receipts is grants from the federal government.

911 Fund - The primary purpose of this fund is to account for emergency dispatch and services. The primary source of receipts for this fund is the 911 fee charged to the county residents.

Health Services Fund - The primary purpose of this fund is to account for the acquisition, constructing, and financing of public health facility projects and the related debt service payments.

Unbudgeted Funds

The fiscal court reports the following unbudgeted fund:

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

D. Budgetary Information

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

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

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

CUMBERLAND COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information (Continued)

The state local finance officer does not require the public properties corporation fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from these funds annually.

E. Cumberland County Elected Officials

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

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

F. Deposits and Investments

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

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

G. Long-term Obligations

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

CUMBERLAND COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 2. Deposits

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

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 66.480(1)(d) and KRS 41.240. As of June 30, 2019, 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 2019.

	General Fund	Road Fund	Federal Fund	911 Fund	Total Transfers In
General Fund	\$	\$ 170,300	\$ 10,892	\$	\$ 181,192
Jail Fund	350,800			1,195	351,995
Federal Fund	500				500
Total Transfers Out	<u>\$ 351,300</u>	<u>\$ 170,300</u>	<u>\$ 10,892</u>	<u>\$ 1,195</u>	<u>\$ 533,687</u>

Reason for transfers:

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

Note 4. Long-term Debt

A. Direct Borrowings and Direct Payments

1. Recycling Land and Building

The fiscal court entered into a capital lease agreement on January 31, 2013, with the Kentucky Association of Counties Leasing Trust for the purchase of land and building for the recycling center. The occurrence of any or more of the following events constitutes an "Event of Default" under this lease: (a) lessee's failure to make any lease payment (or any other payment) as it becomes due in accordance with the terms of this lease; (b) lessee's failure to perform or observe any other covenant, condition or agreement to be performed or observed by it under this lease or any document delivered by lessee pursuant to or in connection with this document, and the failure is not cured or steps satisfactory to lessor taken to cure the failure, within 15 days after written notice of the failure to lessee by lessor; or (c) the discovery by lessor that any material statement, representation or warranty

CUMBERLAND COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 4. Long-term Debt (Continued)

A. Direct Borrowings and Direct Payments (Continued)

1. Recycling Land and Building (Continued)

made by lessee in this lease or in any writing delivered by lessee pursuant to or in connection with this lease is false, misleading or erroneous in any material respect. The principal was \$178,700 at an interest rate of 3.75% for a period of ten years, with principal and interest paid monthly. The principal outstanding as of June 30, 2019, was \$65,523. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2020	\$ 17,870	\$ 2,652
2021	17,870	1,821
2022	17,870	997
2023	11,913	207
Totals	<u>\$ 65,523</u>	<u>\$ 5,677</u>

2. Tractor/Mower

On January 26, 2016, the fiscal court entered into a capital lease agreement with the Kentucky Association of Counties Leasing Trust for the purchase of a tractor and mower for the road department. The occurrence of any one or more of the following events constitutes an "Event of Default" under this lease: (a) lessee's failure to make any lease payment (or any other payment) as it becomes due in accordance with the terms of this lease; (b) failure by the lessee to vacate or surrender the project by the July 1 following an event of nonappropriation as provided in section 9; (c) lessee's failure to perform or observe any other covenant, condition or agreement to be performed or observed by it under this lease or any document delivered by lessee pursuant to or in connection with this lease, and the failure is not cured or steps satisfactory to lessor taken to cure the failure, within 15 days after written notice of the failure to lessee by lessor; or; (d) any material statement, representation or warranty made by lessee in this lease or in writing delivered by lessee pursuant to or in connection with this lease is false, misleading or erroneous in any material respect. The principal was \$136,440 at an interest rate of 3.627% for a period of five years, with principal and interest paid monthly. The principal outstanding as of June 30, 2019, was \$45,329. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2020	\$ 28,393	\$ 1,174
2021	16,936	205
Totals	<u>\$ 45,329</u>	<u>\$ 1,379</u>

CUMBERLAND COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 4. Long-term Debt (Continued)

A. Direct Borrowings and Direct Payments (Continued)

3. Sheriff Cruiser

The fiscal court entered into a capital lease agreement on November 4, 2016, with the Kentucky Association of Counties Leasing Trust for the purchase of a cruiser for the sheriff. The occurrence of any one or more of the following events constitutes an “Event of Default” under this lease: (a) lessee’s failure to make any lease payment (or any other payment) as it becomes due in accordance with the terms of this lease; (b) failure by the lessee to vacate or surrender the project by the July 1 following an event of nonappropriation as provided in section 9; (c) lessee’s failure to perform or observe any other covenant, condition, or agreement to be performed or observed by it under this lease or any document delivered by lessee pursuant to or in connection with this lease, and the failure is not cured or steps satisfactory to lessor taken to cure the failure, within 15 days after written notice of the failure to lessee by lessor; or (d) any material statement, representation or warranty made by lessee in this lease or in any writing delivered by lessee pursuant to or in connection with this lease is false, misleading or erroneous in any material respect. The principal was \$43,277 at an interest rate of 2.66% for a period of four years, with principal and interest paid monthly. The principal outstanding as of June 30, 2019, was \$4,139. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2020	\$ 4,139	\$ 33
Totals	\$ 4,139	\$ 33

4. Truck and Plow

The fiscal court entered into a capital lease agreement on February 5, 2019, with the Kentucky Association of Counties Leasing Trust for the purchase of a truck and plow for the road department. The occurrence of any one or more of the following events constitutes an “Event of Default” under this lease: (a) lessee’s failure to make any lease payment (or any other payment) as it becomes due in accordance with the terms of this lease; (b) failure by the lessee to vacate or surrender the project by the July 1 following an event of nonappropriation as provided in section 9; (c) lessee’s failure to perform or observe any other covenant, condition or agreement to be performed or observed by it under this lease or any document delivered by lessee pursuant to or in connection with this lease, and the failure is not cured or steps satisfactory to lessor taken to cure the failure, within 15 days after written notice of the failure to lessee by lessor; or (d) any material statement, representation or warrant made by lessee in this lease or in any writing delivered by lessee pursuant to or in connection with this lease is false, misleading or erroneous in any material respect. The principal was \$64,613 at an interest of 4.95% which includes the administrative fee of 0.40% for a period of five years, with principal and interest paid monthly. The principal outstanding as of June 30, 2019, was \$59,861. Future principal and interest requirements are:

CUMBERLAND COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 4. Long-term Debt (Continued)

A. Direct Borrowings and Direct Payments (Continued)

4. Truck and Plow (Continued)

Fiscal Year Ending June 30	Principal	Scheduled Interest
2020	\$ 15,350	\$ 2,618
2021	16,063	1,842
2022	16,810	1,030
2023	11,638	217
Totals	<u>\$ 59,861</u>	<u>\$ 5,707</u>

5. Truck

The fiscal court entered into a capital lease agreement on February 5, 2019, with the Kentucky Association of Counties Leasing Trust for the purchase of a truck for the road department. The occurrence of any one or more of the following events constitutes an "Event of Default" under this lease: (a) lessee's failure to make any lease payment (or any other payment) as it becomes due in accordance with the terms of this lease; (b) failure by the lessee to vacate or surrender the project by the July 1 following an event of nonappropriation as provided in section 9; (c) lessee's failure to perform or observe any other covenant, condition or agreement to be performed or observed by it under this lease or any document delivered by lessee pursuant to or in connection with this lease, and the failure is not cured or steps satisfactory to lessor taken to cure the failure, within 15 days after written notice of the failure to lessee by lessor; or (d) any material statement, representation or warrant made by lessee in this lease or in any writing delivered by lessee pursuant to or in connection with this lease is false, misleading or erroneous in any material respect. The principal was \$126,442 at an interest of 5.18% which includes the administrative fee of 0.40% for a period of five years, with principal and interest paid monthly. The principal outstanding as of June 30, 2019, was \$120,740. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2020	\$ 19,007	\$ 5,808
2021	19,935	4,801
2022	20,909	3,745
2023	21,931	2,638
2024	23,002	1,477
2025	15,956	311
Totals	<u>\$ 120,740</u>	<u>\$ 18,780</u>

CUMBERLAND COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 4. Long-term Debt (Continued)

B. Other Debt

1. Cumberland Health Services Corporation Mortgage Revenue Bonds - Series 1992

The Cumberland Health Services Corporation issued \$2,756,000 of mortgage revenue bonds on January 13, 1994, for the purpose of financing the hospital additions and improvements to the Cumberland County Hospital and related facilities. In the event of a default which remains uncured by the county, the trustee may (i) evict the county and sub lessee and refer the project, or (ii) foreclose the mortgage lien and liquidate the project. The bonds mature serially through January 1, 2022, and require annual principal and interest payments on January 1 at an interest rate of 5%. Bonds outstanding as of June 30, 2019, were \$545,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2020	\$ 171,000	\$ 27,250
2021	181,000	18,700
2022	193,000	9,650
Totals	<u>\$ 545,000</u>	<u>\$ 55,600</u>

2. Cumberland County Public Properties Corporation Mortgage Revenue Bonds - Series 2004

The Cumberland County Public Properties Corporation issued \$405,000 of mortgage revenue bonds on February 4, 2004, to complete construction of the justice center facility. In the event AOC shall elect not to renew the lease at any time, or fail to pay the stipulated AOC rentals, or the county shall elect not to renew the lease at any time, or fail to pay the stipulated county proportionate share, then and in that event and upon ensuing default in the payment of the principle of or interest on the bonds, the mortgage, as the case may be, shall be enforced, which enforcement may, under the terms of the mortgage, include foreclosure of the liens created by the mortgage and sale of the project. The bonds mature serially through September 1, 2023, and require annual principal payments and semi interest payments at the rate of 4.2% on March 1 and September 1 of each year. Bonds outstanding as of June 30, 2019, were \$135,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2020	\$ 25,000	\$ 5,145
2021	25,000	4,095
2022	25,000	3,045
2023	30,000	1,890
2024	30,000	630
Totals	<u>\$ 135,000</u>	<u>\$ 14,805</u>

CUMBERLAND COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 4. Long-term Debt (Continued)

B. Other Debt (Continued)

3. Cumberland County Public Properties Corporation Lease Refunding Revenue Bonds - Series 2011

The Cumberland County Public Properties Corporation issued \$3,630,000 of lease refunding revenue bonds on October 27, 2011, to partially refund the series 2002 mortgage revenue bonds used to construct the justice center facility. In the event AOC shall elect not to renew the lease at any time, or fail to pay the stipulated AOC rentals, or the county shall elect not to renew the lease at any time, or fail to pay the stipulated county proportionate share, then and in that event and upon ensuing default in the payment of the principle of or interest on the bonds, the mortgage, as the case may be, shall be enforced, which enforcement may, under the terms of the mortgage, include foreclosure of the liens created by the mortgage and sale of the project. The bonds mature serially through September 1, 2023, and require annual principal payments on September 1, and semi-annual interest payments at rates ranging from 1% to 2.9% on March 1 and September 1 of each year. Bonds outstanding as of June 30, 2019, were \$1,910,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2020	\$ 365,000	\$ 46,029
2021	370,000	37,070
2022	380,000	27,458
2023	390,000	17,107
2024	405,000	5,873
Totals	<u>\$ 1,910,000</u>	<u>\$ 133,537</u>

4. Cumberland Health Services Mortgage Revenue Bonds - Series 2012

The Cumberland Health Services Corporation issued \$8,500,000 of mortgage revenue bonds on April 18, 2012, for the purpose of financing hospital addition construction, equipment needed and improvements to the hospital and related facilities. If the lessee shall fail to pay the rentals due for the rental of the project property at the time herein stipulated and shall continue to fail to pay such rentals after receipt by the lessee from the issuer and/or from the trustee of twenty days' written notice to cure such default, then this lease shall be immediately terminated, and all rights and any further options to renew this lease on the part of the lessee shall be terminated and forfeited to the issuer, provided that the obligation of the lessee to pay rentals due for the current rental year, to maintain insurance on the project property, and to operate, maintain, repair, replace, renovate and improve same, shall continue until the expiration of the latest effective year. The bonds mature serially through January 1, 2051, and require annual principal payments on January 1 and semi-annual interest payments at an interest rate of 3.375% on January 1 and July 1 of each year. Bonds outstanding as of June 30, 2019, were \$7,843,000. Future principal and interest requirements are:

CUMBERLAND COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 4. Long-term Debt (Continued)

B. Other Debt (Continued)

4. Cumberland Health Services Mortgage Revenue Bonds - Series 2012 (Continued)

Fiscal Year Ending June 30	Principal	Scheduled Interest
2020	\$ 125,000	\$ 264,701
2021	130,000	260,483
2022	135,500	256,095
2023	141,000	251,522
2024	146,500	246,763
2025-2029	825,500	1,155,533
2030-2034	1,004,500	1,004,636
2035-2039	1,221,500	821,070
2040-2044	1,486,500	597,729
2045-2049	1,808,000	326,042
2050-2051	819,000	41,580
Totals	<u>\$ 7,843,000</u>	<u>\$ 5,226,154</u>

C. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	\$ 205,543	\$ 191,055	\$ 101,006	\$ 295,592	\$ 84,759
Revenue Bonds	11,095,500		662,500	10,433,000	686,000
Total Long-term Debt	<u>\$ 11,301,043</u>	<u>\$ 191,055</u>	<u>\$ 763,506</u>	<u>\$10,728,592</u>	<u>\$ 770,759</u>

Note 5. Employee Retirement System

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

The county's contribution for FY 2017 was \$180,289, FY 2018 was \$183,973, and FY 2019 was \$196,755.

CUMBERLAND COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 5. Employee Retirement System (Continued)

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008, are required to contribute 6 percent of their salary to be allocated as follows: 5 percent will go to the member's account and 1 percent will go to the KRS insurance fund.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own accounts. Nonhazardous covered employees contribute 5 percent of their annual creditable compensation. Nonhazardous members also contribute 1 percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the KRS Board of Directors based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a 4 percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

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

The county's contribution rate for nonhazardous employees was 21.48 percent.

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

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

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

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

CUMBERLAND COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 5. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

A. Health Insurance Coverage - Tier 1 (Continued)

Benefits are covered under KRS 161.714 with exception of COLA and retiree health benefits after July 2003.

B. Health Insurance Coverage - Tier 2 and Tier 3 - Nonhazardous

Once members reach a minimum vesting period of 15 years, they 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 by 1.5 percent. This was established for Tier 2 members during the 2008 Special Legislative Session by House Bill 1. During the 2013 Legislative Session, Senate Bill 2 was enacted, creating Tier 3 benefits for members.

The monthly insurance benefit has been increased annually as a 1.5 percent cost of living adjustment (COLA) since July 2003 when the law changed. The annual increase is cumulative and continues to accrue after the member's retirement.

Tier 2 member benefits are covered by KRS 161.714 with exception of COLA and retiree health benefits after July 2003. Tier 3 members are not covered by the same provisions.

C. Cost of Living Adjustments - Tier 1

The 1996 General Assembly enacted an automatic cost of living adjustment (COLA) provision for all recipients of KRS benefits. During the 2008 Special Session, the General Assembly determined that each July beginning in 2009, retirees who have been receiving a retirement allowance for at least 12 months will receive an automatic COLA of 1.5 percent. The COLA is not a guaranteed benefit. If a retiree has been receiving a benefit for less than 12 months, and a COLA is provided, it will be prorated based on the number of months the recipient has been receiving a benefit.

D. Cost of Living Adjustments - Tier 2 and Tier 3

No COLA is given unless authorized by the legislature with specific criteria. To this point, no COLA has been authorized by the legislature for Tier 2 or Tier 3 members.

E. Death Benefit

If a retired member is receiving a monthly benefit based on at least 48 months of service credit, KRS will pay a \$5,000 death benefit payment to the beneficiary designated by the member specifically for this benefit. Members with multiple accounts are entitled to only one death benefit.

KRS Annual Financial Report and Proportionate Share Audit Report

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

CUMBERLAND COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 5. Employee Retirement System (Continued)

KRS Annual Financial Report and Proportionate Share Audit Report (Continued)

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

Note 6. Insurance

For the fiscal year ended June 30, 2019, the Cumberland County Fiscal Court was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 7. Subsequent Event

On June 25, 2020, the Cumberland County Fiscal Court entered into a lease agreement with Kentucky Association of Counties Leasing Trust in the amount of \$767,000 for the purpose of financing the costs of renovating and making improvements to an industrial building for lease.

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

For The Year Ended June 30, 2019

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CUMBERLAND COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2019

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 846,154	\$ 881,776	\$ 961,895	\$ 80,119
In Lieu Tax Payments	65,323	71,810	62,367	(9,443)
Excess Fees	8,000	32,479	32,482	3
Licenses and Permits	8,660	9,030	9,639	609
Intergovernmental	334,861	335,541	319,863	(15,678)
Miscellaneous	106,651	130,172	114,065	(16,107)
Interest	500	500	504	4
Total Receipts	<u>1,370,149</u>	<u>1,461,308</u>	<u>1,500,815</u>	<u>39,507</u>
DISBURSEMENTS				
General Government	701,612	766,601	763,686	2,915
Protection to Persons and Property	74,509	73,329	70,317	3,012
General Health and Sanitation	93,855	77,457	73,322	4,135
Social Services	1,000			
Recreation and Culture	67,700	70,321	69,300	1,021
Debt Service	32,956	33,720	33,720	
Administration	442,695	383,518	353,200	30,318
Total Disbursements	<u>1,414,327</u>	<u>1,404,946</u>	<u>1,363,545</u>	<u>41,401</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(44,178)</u>	<u>56,362</u>	<u>137,270</u>	<u>80,908</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	170,316	170,316	181,192	10,876
Transfers To Other Funds	(226,138)	(226,138)	(351,300)	(125,162)
Total Other Adjustments to Cash (Uses)	<u>(55,822)</u>	<u>(55,822)</u>	<u>(170,108)</u>	<u>(114,286)</u>
Net Change in Fund Balance	(100,000)	540	(32,838)	(33,378)
Fund Balance - Beginning	<u>100,000</u>	<u>114,628</u>	<u>114,625</u>	<u>(3)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 115,168</u>	<u>\$ 81,787</u>	<u>\$ (33,381)</u>

CUMBERLAND COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,423,375	\$ 1,444,142	\$ 1,433,437	\$ (10,705)
Miscellaneous	10,200	15,961	20,533	4,572
Interest	2,400	2,400	1,261	(1,139)
Total Receipts	<u>1,435,975</u>	<u>1,462,503</u>	<u>1,455,231</u>	<u>(7,272)</u>
DISBURSEMENTS				
General Government	15,150	15,650	15,186	464
Transportation Facilities and Services	7,200	7,966	7,610	356
Roads	903,661	1,312,614	1,155,105	157,509
Debt Service	92,930	92,930	63,453	29,477
Capital Projects	207,000	3,332	3,332	
Administration	339,718	350,750	249,026	101,724
Total Disbursements	<u>1,565,659</u>	<u>1,783,242</u>	<u>1,493,712</u>	<u>289,530</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(129,684)</u>	<u>(320,739)</u>	<u>(38,481)</u>	<u>282,258</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds		191,055	191,055	
Transfers To Other Funds	<u>(170,316)</u>	<u>(170,316)</u>	<u>(170,300)</u>	<u>16</u>
Total Other Adjustments to Cash (Uses)	<u>(170,316)</u>	<u>20,739</u>	<u>20,755</u>	<u>16</u>
Net Change in Fund Balance	(300,000)	(300,000)	(17,726)	282,274
Fund Balance - Beginning	<u>300,000</u>	<u>300,000</u>	<u>284,254</u>	<u>(15,746)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 266,528</u>	<u>\$ 266,528</u>

CUMBERLAND COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 91,615	\$ 91,615	\$ 86,538	\$ (5,077)
Charges for Services	335	335	434	99
Miscellaneous		2,652	2,815	163
Interest	55	55	49	(6)
Total Receipts	<u>92,005</u>	<u>94,657</u>	<u>89,836</u>	<u>(4,821)</u>
DISBURSEMENTS				
Protection to Persons and Property	287,300	415,384	414,877	507
Administration	30,843	26,340	24,938	1,402
Total Disbursements	<u>318,143</u>	<u>441,724</u>	<u>439,815</u>	<u>1,909</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(226,138)</u>	<u>(347,067)</u>	<u>(349,979)</u>	<u>(2,912)</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	226,138	226,138	351,995	125,857
Total Other Adjustments to Cash (Uses)	<u>226,138</u>	<u>226,138</u>	<u>351,995</u>	<u>125,857</u>
Net Change in Fund Balance		(120,929)	2,016	122,945
Fund Balance - Beginning		<u>5,544</u>	<u>5,542</u>	<u>(2)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (115,385)</u>	<u>\$ 7,558</u>	<u>\$ 122,943</u>

CUMBERLAND COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 27,000	\$ 27,000	\$ 34,584	\$ 7,584
Interest	146	146	111	(35)
Total Receipts	27,146	27,146	34,695	7,549
DISBURSEMENTS				
General Government	13,897	13,597	11,094	2,503
Protection to Persons and Property	25,000	15,000	10,421	4,579
General Health and Sanitation	300	300		300
Debt Service	3,501	3,501	3,501	
Administration	19,448	12,248	9,490	2,758
Total Disbursements	62,146	44,646	34,506	10,140
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(35,000)	(17,500)	189	17,689
Net Change in Fund Balance	(35,000)	(17,500)	189	17,689
Fund Balance - Beginning	35,000	35,000	35,032	32
Fund Balance - Ending	\$ 0	\$ 17,500	\$ 35,221	\$ 17,721

CUMBERLAND COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

	FEDERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
In Lieu Tax Payments	\$	\$	\$ 11,132	\$ 11,132
Intergovernmental	24,000	49,892	60,192	10,300
Total Receipts	24,000	49,892	71,324	21,432
DISBURSEMENTS				
General Government	20,000	45,892	22,413	23,479
General Health and Sanitation	4,000	4,500	4,500	
Total Disbursements	24,000	50,392	26,913	23,479
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		(500)	44,411	44,911
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			500	500
Transfers To Other Funds			(10,892)	(10,892)
Total Other Adjustments to Cash (Uses)			(10,392)	(10,392)
Net Change in Fund Balance		(500)	34,019	34,519
Fund Balance - Beginning			10,892	10,892
Fund Balance - Ending	\$ 0	\$ (500)	\$ 44,911	\$ 45,411

CUMBERLAND COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

	911 FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 250,000	\$ 250,000	\$ 235,644	\$ (14,356)
Total Receipts	<u>250,000</u>	<u>250,000</u>	<u>235,644</u>	<u>(14,356)</u>
DISBURSEMENTS				
General Government	250,000	266,783	266,782	1
Total Disbursements	<u>250,000</u>	<u>266,783</u>	<u>266,782</u>	<u>1</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		<u>(16,783)</u>	<u>(31,138)</u>	<u>(14,355)</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds			(1,195)	(1,195)
Total Other Adjustments to Cash (Uses)			<u>(1,195)</u>	<u>(1,195)</u>
Net Change in Fund Balance		(16,783)	(32,333)	(15,550)
Fund Balance - Beginning			<u>45,700</u>	<u>45,700</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (16,783)</u>	<u>\$ 13,367</u>	<u>\$ 30,150</u>

CUMBERLAND COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

	HEALTH SERVICES FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$ 582,403	\$ 582,403	\$ 651,555	\$ 69,152
Interest	2,182	2,182	2,408	226
Total Receipts	<u>584,585</u>	<u>584,585</u>	<u>653,963</u>	<u>69,378</u>
DISBURSEMENTS				
Debt Service	584,585	584,585	586,722	(2,137)
Capital Projects			122,260	(122,260)
Total Disbursements	<u>584,585</u>	<u>584,585</u>	<u>708,982</u>	<u>(124,397)</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			<u>(55,019)</u>	<u>(55,019)</u>
Net Change in Fund Balance			(55,019)	(55,019)
Fund Balance - Beginning			<u>957,355</u>	<u>957,355</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 902,336</u>	<u>\$ 902,336</u>

CUMBERLAND COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2019

Note 1. Budgetary Information

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

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

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

Note 2. Excess of Disbursements Over Appropriations

Health Services Fund debt service and capital project disbursements exceeded budgeted appropriations by \$124,397.

**CUMBERLAND COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis**

For The Year Ended June 30, 2019

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CUMBERLAND COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2019

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 774,751	\$	\$	\$ 774,751
Buildings and Improvements	5,937,279			5,937,279
Vehicles	510,393	199,555		709,948
Machinery and Equipment	1,361,296			1,361,296
Infrastructure	6,455,455	327,427		6,782,882
 Total Capital Assets	 \$ 15,039,174	 \$ 526,982	 \$ 0	 \$ 15,566,156

CUMBERLAND COUNTY
NOTES TO OTHER INFORMATION - REGULATORY BASIS
SCHEDULE OF CAPITAL ASSETS

June 30, 2019

Note 1. Capital Assets

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

	<u>Capitalization Threshold</u>	<u>Useful Life (Years)</u>
Land Improvements	\$ 10,000	20-25
Buildings and Improvements	\$ 25,000	10-60
Vehicles	\$ 5,000	5-20
Machinery and Equipment	\$ 5,000	5-20
Infrastructure	\$ 20,000	20-40

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

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable John A. Phelps, Jr., Cumberland County Judge/Executive
Members of the Cumberland 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 Cumberland County Fiscal Court for the fiscal year ended June 30, 2019, and the related notes to the financial statement which collectively comprise the Cumberland County Fiscal Court's financial statement and have issued our report thereon dated November 20, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Cumberland 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 Cumberland County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Cumberland 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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



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

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Cumberland 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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,

A handwritten signature in black ink, appearing to read "Mike H", with a long horizontal line extending to the right.

Mike Harmon
Auditor of Public Accounts

November 20, 2020

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

CUMBERLAND COUNTY FISCAL COURT

For The Year Ended June 30, 2019

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CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
CUMBERLAND COUNTY FISCAL COURT

For The Year Ended June 30, 2019

The Cumberland 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