

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

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



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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 Myron S. Lewis, Elliott County Judge/Executive

The Honorable Carl Fannin, Former Elliott County Judge/Executive

Members of the Elliott 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 Elliott County Fiscal Court, for the year ended June 30, 2019, and the related notes to the financial statement which collectively comprise the Elliott 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.



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Auditor's Responsibility (Continued)

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

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 Elliott 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 Elliott 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 Elliott 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 Elliott 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.

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Other Matters (Continued)

Supplementary and Other Information (Continued)

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2020, on our consideration of the Elliott 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 Elliott County Fiscal Court's internal control over financial reporting and compliance.

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

2019-001 The General Fund Owes A Total Of \$212,330 To Restricted Funds From Prior Years' Misuse Of Restricted Funds

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

March 2, 2020

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

Myron S. Lewis	County Judge/Executive
Carl Fannin (July 1, 2018 through December 31, 2018)	County Judge/Executive
Michelle Oney	Magistrate
Pam Fannin	Magistrate
Mike Dickerson	Former Magistrate
Charles Whitt	Magistrate
Michael Gilliam	Former Magistrate
Brian Dillon	Magistrate
Angie Porter	Magistrate
Dewey Smith	Magistrate
James Salyers	Former Magistrate
Cheyenne Holbrook	Magistrate

Other Elected Officials:

John D. Lewis	County Attorney
Dustin Kelley	Jailer
Mark Lewis	Former Jailer
Jennifer Carter	County Clerk
Jason Ison	Circuit Court Clerk
Ray Craft	Sheriff
Eddie Frazier	Property Valuation Administrator
Steven Whitt	Coroner

Appointed Personnel:

Crystal Lyons	County Treasurer
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**ELLIOTT COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS**

For The Year Ended June 30, 2019

ELLIOTT 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	\$ 623,869	\$	\$
In Lieu Tax Payments	20,253		
Licenses and Permits	2,424		
Intergovernmental	572,960	1,198,122	84,889
Miscellaneous	165,819	376	
Interest	77	267	2
Total Receipts	<u>1,385,402</u>	<u>1,198,765</u>	<u>84,891</u>
DISBURSEMENTS			
General Government	784,139		
Protection to Persons and Property	94,446		250,722
General Health and Sanitation	81,816		
Recreation and Culture	24,913		
Roads		568,801	
Debt Service	82,577	234,678	
Capital Projects		186,544	
Administration	350,939	93,579	13,069
Total Disbursements	<u>1,418,830</u>	<u>1,083,602</u>	<u>263,791</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(33,428)</u>	<u>115,163</u>	<u>(178,900)</u>
Other Adjustments to Cash (Uses)			
Financing Obligation Proceeds		157,544	
Transfers From Other Funds	223,032	62,005	180,500
Transfers To Other Funds	(218,000)	(285,037)	(2,000)
Total Other Adjustments to Cash (Uses)	<u>5,032</u>	<u>(65,488)</u>	<u>178,500</u>
Net Change in Fund Balance	(28,396)	49,675	(400)
Fund Balance - Beginning (Restated)	47,192	170,432	2,643
Fund Balance - Ending	<u>\$ 18,796</u>	<u>\$ 220,107</u>	<u>\$ 2,243</u>
Composition of Fund Balance			
Bank Balance	\$ 14,109	\$ 220,217	\$ 2,033
Plus: Deposits In Transit	8,460		210
Less: Outstanding Checks	(3,773)	(110)	
Fund Balance - Ending	<u>\$ 18,796</u>	<u>\$ 220,107</u>	<u>\$ 2,243</u>

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

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

Budgeted Funds				
Local Government Economic Assistance Fund	Forest Fire Fund	911 Fund	Library Construction Fund	Community Development Block Grant Fund
\$	\$ 2,208	\$ 134,571	\$	\$
8,170		57,005	125,000	318,530
		14,515		
<u>1</u>	<u>1</u>	<u>5</u>	<u>23</u>	<u>1</u>
<u>8,171</u>	<u>2,209</u>	<u>206,096</u>	<u>125,023</u>	<u>318,531</u>
7,804				
	1,278	253,676		
7,718				
			116,207	
				298,530
		33,272		20,000
<u>15,522</u>	<u>1,278</u>	<u>286,948</u>	<u>116,207</u>	<u>318,530</u>
(7,351)	931	(80,852)	8,816	1
4,500		99,005		
		(64,005)		
<u>4,500</u>		<u>35,000</u>		
(2,851)	931	(45,852)	8,816	1
<u>3,371</u>	<u>3,050</u>	<u>45,870</u>	<u>115,928</u>	<u>100</u>
<u>\$ 520</u>	<u>\$ 3,981</u>	<u>\$ 18</u>	<u>\$ 124,744</u>	<u>\$ 101</u>
\$ 520	\$ 3,981	\$ 18	\$ 124,744	\$ 101
<u>\$ 520</u>	<u>\$ 3,981</u>	<u>\$ 18</u>	<u>\$ 124,744</u>	<u>\$ 101</u>

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

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

	<u>Unbudgeted Fund</u>	
	Public Properties Corporation Fund	Total Funds
RECEIPTS		
Taxes	\$	\$ 760,648
In Lieu Tax Payments		20,253
Licenses and Permits		2,424
Intergovernmental	147,605	2,512,281
Miscellaneous		180,710
Interest	181	558
Total Receipts	<u>147,786</u>	<u>3,476,874</u>
DISBURSEMENTS		
General Government		791,943
Protection to Persons and Property		600,122
General Health and Sanitation		89,534
Recreation and Culture		24,913
Roads		568,801
Debt Service	146,355	579,817
Capital Projects		485,074
Administration	1,250	512,109
Total Disbursements	<u>147,605</u>	<u>3,652,313</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>181</u>	<u>(175,439)</u>
Other Adjustments to Cash (Uses)		
Financing Obligation Proceeds		157,544
Transfers From Other Funds		569,042
Transfers To Other Funds		(569,042)
Total Other Adjustments to Cash (Uses)		<u>157,544</u>
Net Change in Fund Balance	181	(17,895)
Fund Balance - Beginning (Restated)	<u>8,839</u>	<u>397,425</u>
Fund Balance - Ending	<u>\$ 9,020</u>	<u>\$ 379,530</u>
Composition of Fund Balance		
Bank Balance	\$ 9,020	\$ 374,743
Plus: Deposits In Transit		8,670
Less: Outstanding Checks		(3,883)
Fund Balance - Ending	<u>\$ 9,020</u>	<u>\$ 379,530</u>

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

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TO THE FINANCIAL STATEMENT**

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ELLIOTT COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2019

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

B. Basis of Accounting

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

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

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

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

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

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

ELLIOTT 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)

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.

Forest Fire Fund - The primary purpose of this fund is to account for forest fire tax proceeds and remittance to the state.

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

Library Construction Fund - The primary purpose of this fund is to account for bond payments for the financing of the Elliott County Public Library. The primary sources of receipts for this fund are state grants.

Community Development Block Grant Fund - The primary purpose of this fund is to account for receipts and disbursements for a Community Development Block Grant from the federal government.

Unbudgeted Fund

The fiscal court reports the following unbudgeted fund:

Elliott County 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.

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 this fund annually.

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

Note 1. Summary of Significant Accounting Policies (Continued)

E. Elliott County Elected Officials

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

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.

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

Note 2. Deposits (Continued)

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	Jail Fund	911 Fund	Total Transfers In
General Fund	\$	\$ 223,032	\$	\$	\$ 223,032
Road Fund				62,005	62,005
Jail Fund	178,500			2,000	180,500
LGEA Fund	4,500				4,500
911 Fund	35,000	62,005	2,000		99,005
Total Transfers Out	<u>\$ 218,000</u>	<u>\$ 285,037</u>	<u>\$ 2,000</u>	<u>\$ 64,005</u>	<u>\$ 569,042</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

1. Asphalt Paver

On January 7, 2014, the Elliott County Fiscal Court entered into a lease agreement with Republic Bank & Trust Company in the amount of \$118,100 to purchase an asphalt paver. Annual principal and interest payments are required in December of each year. As of June 30, 2019, the principal balance was paid in full.

2. Ambulance Service

On April 24, 2018, the Elliott County Fiscal Court entered into a promissory note with First National Bank in the amount of \$274,018 to purchase two (2) ambulances. Annual principal and interest payments are due each April beginning in 2019. As of June 30, 2019, principal balance remaining was \$223,646. Future lease principal and interest payments are as follows:

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

Note 4. Long-term Debt (Continued)

A. Direct Borrowings (Continued)

2. Ambulance Service (Continued)

Fiscal Year Ending June 30	Principal	Scheduled Interest
2020	\$ 51,962	\$ 10,220
2021	54,695	7,833
2022	57,190	5,338
2023	<u>59,799</u>	<u>2,728</u>
Totals	<u>\$ 223,646</u>	<u>\$ 26,119</u>

B. Other Debt

1. First Mortgage Refunding Revenue Bonds, Courthouse Renovation

On November 16, 2006, Elliott County Properties, Incorporated, a component unit of the Elliott County Fiscal Court, issued \$1,770,000 in First Mortgage Refunding Revenue Bonds, Series 2006, for the purpose of defeasing the First Mortgage Revenue Bonds, Series 2000. The 2000 series bonds were issued to renovate the existing courthouse facility. On May 1, 2000, the county entered into a lease agreement with the Administrative Office of the Courts in order to provide funding to meet annual debt service requirements. Interest on the bonds is payable semi-annually in September and March for each year commencing March 1, 2007. Principal payments are payable annually commencing March 1, 2007. As of June 30, 2019, the principal balance on these bonds was \$545,000. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2020	\$ 125,000	\$ 22,675
2021	130,000	17,800
2022	140,000	12,600
2023	<u>150,000</u>	<u>6,000</u>
Totals	<u>\$ 545,000</u>	<u>\$ 59,075</u>

2. General Obligation Refunding Bonds, Series 2010

On June 17, 2010, the Elliott County Fiscal Court issued General Obligation Refunding Bonds, Series 2010, for the purpose of defeasing the General Obligation Bond Series 2007 in the amount of \$1,495,000. Semiannual principal and interest payments are required in January and July of each year. As of June 30, 2019, the principal balance remaining was \$540,000. Future lease principal and interest requirements are as follows:

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

Note 4. Long-term Debt (Continued)

B. Other Debt (Continued)

2. General Obligation Refunding Bonds, Series 2010 (Continued)

Fiscal Year Ending June 30	Principal	Scheduled Interest
2020	\$ 155,000	\$ 18,553
2021	160,000	12,350
2022	165,000	5,850
2023	60,000	1,275
Totals	<u>\$ 540,000</u>	<u>\$ 38,028</u>

3. Financing Obligation - Courthouse Renovation

On September 27, 2001, the Elliott County Fiscal Court entered into a lease agreement with the Kentucky Area Development Districts Financing Trust (KADD) to finance the completion of the renovation of the courthouse facility in the amount of \$240,000. The agreement requires two semiannual interest payments be made in March and September of each year. Principal payments are due in September of each year. The county did not transfer money to pay the March interest payment; however, there were funds available in the sinking fund held for this account. (See Note 12 – Prior Period Adjustment). As of June 30, 2019, the principal balance remaining was \$115,000. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2020	\$ 10,000	\$ 7,660
2021	15,000	6,960
2022	15,000	6,120
2023	15,000	5,280
2024	15,000	4,440
2025-2027	<u>45,000</u>	<u>7,530</u>
Totals	<u>\$ 115,000</u>	<u>\$ 37,990</u>

4. Financing Obligation - Public Library Facility

On December 7, 2010, the Elliott County Fiscal Court entered into an agreement with the Kentucky Public Agency Development (KPAD) Lease Program in the amount of \$1,076,000 to refinance the Kentucky Area Development District agreement dated December 20, 2001 that was used for the construction of the Elliott County Public Library. Semiannual principal and interest payments are required in June and December of each year. Interest of \$13,368 was due on June 1, 2015; principal and interest of \$106,868 was due on December 1, 2015; and, interest of \$11,973 was due on June 1, 2016, but was not paid as required by the agreement. Subsequent to June 30, 2018 the delinquent principal and interest was paid in full. As of June 30, 2019, the principal balance remaining was \$334,000. Delinquent and future lease principal and interest requirements are as follows:

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

Note 4. Long-term Debt (Continued)

B. Other Debt (Continued)

4. Financing Obligation - Public Library Facility (Continued)

Fiscal Year Ending June 30	Principal	Scheduled Interest
2020	\$ 105,000	\$ 11,605
2021	113,000	7,189
2022	116,000	2,436
Totals	<u>\$ 334,000</u>	<u>\$ 21,230</u>

5. Financing Obligation - Road Equipment

On July 25, 2018, the Elliott County Fiscal Court entered into a promissory note with KACo Leasing Trust in the amount of \$157,544 to purchase road equipment. Annual principal and interest payments are due each August beginning in 2019. As of June 30, 2019, principal balance remaining was \$123,166. Future lease principal and interest payments are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2020	\$ 30,135	\$ 4,865
2021	93,031	3,675
Totals	<u>\$ 123,166</u>	<u>\$ 8,540</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*	\$ 298,762	\$	\$ 75,116	\$ 223,646	\$ 51,962
General Obligation Notes	690,000		150,000	540,000	155,000
Revenue Bonds	665,000		120,000	545,000	125,000
Financing Obligations * & **	560,000	157,544	145,378	572,166	145,135
Total Long-term Debt	<u>\$ 2,213,762</u>	<u>\$ 157,544</u>	<u>\$ 490,494</u>	<u>\$ 1,880,812</u>	<u>\$ 477,097</u>

* Restated beginning balance from financing obligation, due to GASB 88

** Restated beginning prior year balance by (\$1,093), due to an error in the prior year

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

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 \$175,559, FY 2018 was \$179,910, and FY 2019 was \$183,256.

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%

ELLIOTT 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)

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.

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.

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

Note 5. Employee Retirement System (Continued)

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.

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. Deferred Compensation

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

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

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees' Deferred Compensation Authority at 201 High Street, 2nd Floor, Frankfort, KY 40601, or by telephone at (502) 573-7925.

Note 7. Insurance

For the fiscal year ended June 30, 2019, the Elliott 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 8. Tax Abatement

The ad valorem and tangible property taxes collected relating to businesses located in Eastpark was abated under the authority of Interlocal Cooperation Act dated June 11, 1998, amended May 15, 2017. The Northeast Kentucky Regional Industrial Authority is eligible to receive this tax abatement due to the Interlocal Cooperation Act Amended Revenue Distribution Section. The amount of the tax abatement is not readily available.

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

Note 9. Prior Period Adjustments

- Jail Fund - The beginning balance was increased \$78 because of a prior year check that was voided.
- Community Development Block Grant Fund - The beginning balance was increased \$100, this balance and fund was not reported in the prior period.
- Public Properties Corporation Fund - The beginning balance was increased \$81 because of an account that was not included in the prior period.

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

For The Year Ended June 30, 2019

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ELLIOTT 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	\$ 568,300	\$ 620,563	\$ 623,869	\$ 3,306
In Lieu Tax Payments	19,407	19,407	20,253	846
Licenses and Permits	1,800	2,018	2,424	406
Intergovernmental	464,748	554,300	572,960	18,660
Miscellaneous	89,953	222,352	165,819	(56,533)
Interest	30	30	77	47
Total Receipts	<u>1,144,238</u>	<u>1,418,670</u>	<u>1,385,402</u>	<u>(33,268)</u>
DISBURSEMENTS				
General Government	708,655	784,491	784,139	352
Protection to Persons and Property	35,600	94,446	94,446	
General Health and Sanitation	49,240	81,816	81,816	
Recreation and Culture	24,180	24,913	24,913	
Debt Service	81,605	82,577	82,577	
Administration	318,090	350,939	350,939	
Total Disbursements	<u>1,217,370</u>	<u>1,419,182</u>	<u>1,418,830</u>	<u>352</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(73,132)</u>	<u>(512)</u>	<u>(33,428)</u>	<u>(32,916)</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	223,032	223,032	223,032	
Transfers To Other Funds	<u>(150,000)</u>	<u>(218,000)</u>	<u>(218,000)</u>	
Total Other Adjustments to Cash (Uses)	<u>73,032</u>	<u>5,032</u>	<u>5,032</u>	
Net Change in Fund Balance	(100)	4,520	(28,396)	(32,916)
Fund Balance - Beginning	<u>100</u>	<u>44,367</u>	<u>47,192</u>	<u>2,825</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 48,887</u>	<u>\$ 18,796</u>	<u>\$ (30,091)</u>

ELLIOTT 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	\$ 1,088,638	\$ 1,198,122	\$ 1,198,122	\$
Miscellaneous	50	375	376	1
Interest	70	74	267	193
Total Receipts	<u>1,088,758</u>	<u>1,198,571</u>	<u>1,198,765</u>	<u>194</u>
DISBURSEMENTS				
Roads	497,626	604,634	568,801	35,833
Debt Service	239,100	239,123	234,678	4,445
Capital Projects	156,000	186,544	186,544	
Administration	132,100	112,591	93,579	19,012
Total Disbursements	<u>1,024,826</u>	<u>1,142,892</u>	<u>1,083,602</u>	<u>59,290</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>63,932</u>	<u>55,679</u>	<u>115,163</u>	<u>59,484</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds	156,000	157,544	157,544	
Transfers From Other Funds	3,000	62,005	62,005	0
Transfers To Other Funds	<u>(223,032)</u>	<u>(282,037)</u>	<u>(285,037)</u>	<u>(3,000)</u>
Total Other Adjustments to Cash (Uses)	<u>(64,032)</u>	<u>(62,488)</u>	<u>(65,488)</u>	<u>(3,000)</u>
Net Change in Fund Balance	(100)	(6,809)	49,675	56,484
Fund Balance - Beginning	<u>100</u>	<u>6,809</u>	<u>170,432</u>	<u>163,623</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 220,107</u>	<u>\$ 220,107</u>

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

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 86,971	\$ 89,513	\$ 84,889	\$ (4,624)
Interest	10	10	2	(8)
Total Receipts	<u>86,981</u>	<u>89,523</u>	<u>84,891</u>	<u>(4,632)</u>
DISBURSEMENTS				
Protection to Persons and Property Administration	178,588	255,044	250,722	4,322
	12,493	94,122	13,069	81,053
Total Disbursements	<u>191,081</u>	<u>349,166</u>	<u>263,791</u>	<u>85,375</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(104,100)</u>	<u>(259,643)</u>	<u>(178,900)</u>	<u>80,743</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	104,000	104,000	180,500	76,500
Transfers To Other Funds			(2,000)	(2,000)
Total Other Adjustments to Cash (Uses)	<u>104,000</u>	<u>104,000</u>	<u>178,500</u>	<u>74,500</u>
Net Change in Fund Balance	(100)	(155,643)	(400)	155,243
Fund Balance - Beginning (Restated)	<u>100</u>	<u>2,643</u>	<u>2,643</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (153,000)</u>	<u>\$ 2,243</u>	<u>\$ 155,243</u>

ELLIOTT 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	28,931	28,931	8,170	(20,761)
Interest	5	5	1	(4)
Total Receipts	<u>28,936</u>	<u>28,936</u>	<u>8,171</u>	<u>(20,765)</u>
DISBURSEMENTS				
General Government	9,250	12,521	7,804	4,717
Protection to Persons and Property	7,183	7,183		7,183
General Health and Sanitation	9,553	9,603	7,718	1,885
Administration	50			
Total Disbursements	<u>26,036</u>	<u>29,307</u>	<u>15,522</u>	<u>13,785</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>2,900</u>	<u>(371)</u>	<u>(7,351)</u>	<u>(6,980)</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			4,500	4,500
Transfers To Other Funds	(3,000)	(3,000)		3,000
Total Other Adjustments to Cash (Uses)	<u>(3,000)</u>	<u>(3,000)</u>	<u>4,500</u>	<u>7,500</u>
Net Change in Fund Balance	(100)	(3,371)	(2,851)	520
Fund Balance - Beginning	<u>100</u>	<u>3,371</u>	<u>3,371</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 520</u>	<u>\$ 520</u>

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

	FOREST FIRE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 2,200	\$ 2,200	\$ 2,208	\$ 8
Interest	5	5	1	(4)
Total Receipts	<u>2,205</u>	<u>2,205</u>	<u>2,209</u>	<u>4</u>
DISBURSEMENTS				
Protection to Persons and Property	2,305	5,255	1,278	3,977
Total Disbursements	<u>2,305</u>	<u>5,255</u>	<u>1,278</u>	<u>3,977</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(100)</u>	<u>(3,050)</u>	<u>931</u>	<u>3,981</u>
Net Change in Fund Balance	(100)	(3,050)	931	3,981
Fund Balance - Beginning	<u>100</u>	<u>3,050</u>	<u>3,050</u>	<u></u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,981</u>	<u>\$ 3,981</u>

ELLIOTT 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	\$ 125,000	\$ 125,000	\$ 134,571	\$ 9,571
Intergovernmental		15,000	57,005	42,005
Miscellaneous		14,515	14,515	
Interest	5	5	5	
Total Receipts	<u>125,005</u>	<u>154,520</u>	<u>206,096</u>	<u>51,576</u>
DISBURSEMENTS				
Protection to Persons and Property Administration	139,605	253,676	253,676	
	30,500	33,272	33,272	
Total Disbursements	<u>170,105</u>	<u>286,948</u>	<u>286,948</u>	
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(45,100)</u>	<u>(132,428)</u>	<u>(80,852)</u>	<u>51,576</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	45,000	45,000	99,005	54,005
Transfers To Other Funds			(64,005)	(64,005)
Total Other Adjustments to Cash (Uses)	<u>45,000</u>	<u>45,000</u>	<u>35,000</u>	<u>(10,000)</u>
Net Change in Fund Balance	(100)	(87,428)	(45,852)	41,576
Fund Balance - Beginning	<u>100</u>	<u>45,870</u>	<u>45,870</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (41,558)</u>	<u>\$ 18</u>	<u>\$ 41,576</u>

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

LIBRARY CONSTRUCTION FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 125,000.0	\$ 125,000.0	\$ 125,000	\$
Interest	10	15	23	8
Total Receipts	<u>125,010</u>	<u>125,015</u>	<u>125,023</u>	<u>8</u>
DISBURSEMENTS				
Debt Service	116,599	116,599	116,207	392
Administration	124,411	21,231		21,231
Total Disbursements	<u>241,010</u>	<u>137,830</u>	<u>116,207</u>	<u>21,623</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(116,000)</u>	<u>(12,815)</u>	<u>8,816</u>	<u>21,631</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,000	1,000		(1,000)
Total Other Adjustments to Cash (Uses)	<u>1,000</u>	<u>1,000</u>		<u>(1,000)</u>
Net Change in Fund Balance	(115,000)	(11,815)	8,816	20,631
Fund Balance - Beginning	<u>115,000</u>	<u>115,928</u>	<u>115,928</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 104,113</u>	<u>\$ 124,744</u>	<u>\$ 20,631</u>

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

COMMUNITY DEVELOPMENT BLOCK GRANT FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 800,000	\$ 800,000	\$ 318,530	\$ (481,470)
Interest			1	1
Total Receipts	<u>800,000</u>	<u>800,000</u>	<u>318,531</u>	<u>(481,469)</u>
DISBURSEMENTS				
Capital Projects	750,000	708,542	298,530	410,012
Administration	50,000	50,000	20,000	30,000
Total Disbursements	<u>800,000</u>	<u>758,542</u>	<u>318,530</u>	<u>440,012</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		<u>41,458</u>	<u>1</u>	<u>(41,457)</u>
Net Change in Fund Balance		41,458	1	(41,457)
Fund Balance - Beginning (Restated)		<u>100</u>	<u>100</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 41,558</u>	<u>\$ 101</u>	<u>\$ (41,457)</u>

ELLIOTT 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.

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

For The Year Ended June 30, 2019

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ELLIOTT 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
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Land and Land Improvements	\$ 283,000	\$	\$	\$ 283,000
Buildings	4,785,529			4,785,529
Vehicles	328,218	104,440	11,150	421,508
Equipment	1,992,541	188,316	1,267,833	913,024
Infrastructure	5,080,002	136,136		5,216,138
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Capital Assets	<u>\$ 12,469,290</u>	<u>\$ 428,892</u>	<u>\$ 1,278,983</u>	<u>\$ 11,619,199</u>

ELLIOTT COUNTY
NOTES TO OTHER INFORMATION - REGULATORY SUPPLEMENTARY
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	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Equipment	\$ 2,500	3-25
Vehicles	\$ 2,500	3-25
Infrastructure	\$ 20,000	10-50

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

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Myron S. Lewis, Elliott County Judge/Executive
The Honorable Carl Fannin, Former Elliott County Judge/Executive
Members of the Elliott 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 Elliott County Fiscal Court for the fiscal year ended June 30, 2019, and the related notes to the financial statement which collectively comprise the Elliott County Fiscal Court's financial statement and have issued our report thereon dated March 2, 2020.

Internal Control Over Financial Reporting

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

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

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



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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Elliott 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2019-001.

Views of Responsible Official and Planned Corrective Action

Elliott County's views and planned corrective action for the finding identified in our audit are included in the accompanying Schedule of Findings and Responses. The county's response was not subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we express no opinion on it.

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 Harmon", with a horizontal line extending to the right.

Mike Harmon
Auditor of Public Accounts

March 2, 2020

**ELLIOTT COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2019

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ELLIOTT COUNTY
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended June 30, 2019

STATE LAWS AND REGULATIONS:

2019-001 The General Fund Owes A Total Of \$212,330 To Restricted Funds From Prior Years' Misuse Of Restricted Funds

This is a repeat finding and was included in the prior year audit report as finding 2018-001. The general fund owes the road fund \$159,679 and the Library Construction Fund \$52,651 from prior years' misuse of restricted funds. Elliott County receives funds from the Kentucky State Treasury restricted for debt service payments on bonds issued to construct the public library. From fiscal years 2011 through 2014 and in the fiscal year 2016, restricted road and library construction funds were used for purposes other than permitted by law.

The general fund has a cumulative liability to the road fund and library construction fund of \$212,330. The road and library construction funds, in turn, each have a receivable from the general fund. Under the regulatory basis of accounting, fund balances are not adjusted for the unpaid liability on the financial statement, however the liability is still owed.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. Pursuant to KRS 68.210, the state local finance officer has prescribed minimum accounting and reporting standards in the Department for local Government's County Budget Preparation and State Local Finance Officer Policy Manual. Road funds can only be spent on roads, except for the amount approved by Department for Local Government (DLG) on the Road Cost Allocation Worksheet. Each year from fiscal year 2011 through fiscal year 2014 and in fiscal year 2016, restricted road funds were spent on items in excess of the amount approved by DLG.

We recommend the general fund liability be repaid to the road fund and the library construction fund.

County Judge/Executive's Response: When funds become available the aforementioned liabilities will be repaid.

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

ELLIOTT COUNTY FISCAL COURT

For The Year Ended June 30, 2019

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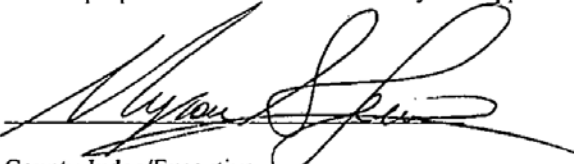
CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE

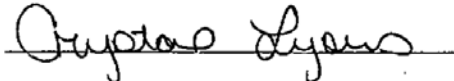
ELLIOTT COUNTY FISCAL COURT

For The Year Ended June 30, 2019

The Elliott 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