

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

**For The Year Ended
June 30, 2020**



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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 Robert W. Carpenter, Greenup County Judge/Executive
Members of the Greenup 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 Greenup County Fiscal Court, for the year ended June 30, 2020, and the related notes to the financial statement which collectively comprise the Greenup County Fiscal Court's financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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



To the People of Kentucky
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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 Greenup 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 Greenup County Fiscal Court as of June 30, 2020, 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 Greenup County Fiscal Court as of June 30, 2020, 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 Greenup 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.

To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
The Honorable Robert W. Carpenter, Greenup County Judge/Executive
Members of the Greenup County Fiscal Court

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2021, on our consideration of the Greenup 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 Greenup County Fiscal Court's internal control over financial reporting and compliance.

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

- 2020-001 LGEA Fund Budgeted Receipts Do Not Equal Budgeted Disbursements On The Original Budget
- 2020-002 The Jail Does Not Have Adequate Segregation Of Duties Over Jail Commissary Transactions
- 2020-003 The Jail Commissary Purchased Electronic Cigarettes Without Obtaining Bids

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

June 14, 2021

GREENUP COUNTY OFFICIALS**For The Year Ended June 30, 2020****Fiscal Court Members:**

Robert W. Carpenter	County Judge/Executive
Andrew Imel	Commissioner
Tony Quillen	Commissioner
Earnie Duty	Commissioner

Other Elected Officials:

Michael Wilson	County Attorney
Mike Worthington	Jailer
Pat Hieneman	County Clerk
Allen Reed	Circuit Court Clerk
Matt Smith	Sheriff
Bobby Hall	Property Valuation Administrator
Neil Wright	Coroner

Appointed Personnel:

Sharon Bates	County Treasurer
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**GREENUP COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS**

For The Year Ended June 30, 2020

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

For The Year Ended June 30, 2020

	<u>Budgeted Funds</u>		
	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>
RECEIPTS			
Taxes	\$ 5,250,131	\$	\$
Excess Fees	210,664		
Licenses and Permits	77,254		
Intergovernmental	664,259	2,223,525	724,937
Charges for Services	1,081	260	104,717
Miscellaneous	118,160	11,582	29,577
Interest	46,839	626	138
Total Receipts	<u>6,368,388</u>	<u>2,235,993</u>	<u>859,369</u>
DISBURSEMENTS			
General Government	1,544,137		
Protection to Persons and Property	136,337		1,674,745
General Health and Sanitation	109,069		
Social Services	128,338		
Recreation and Culture	35,073		
Roads		3,039,135	
Debt Service	36,765	184,093	
Capital Projects	212,500	648,554	
Administration	1,128,425	522,872	596,764
Total Disbursements	<u>3,330,644</u>	<u>4,394,654</u>	<u>2,271,509</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>3,037,744</u>	<u>(2,158,661)</u>	<u>(1,412,140)</u>
Other Adjustments to Cash (Uses)			
Transfers From Other Funds		1,850,000	1,175,000
Transfers To Other Funds	(3,481,000)		
Total Other Adjustments to Cash (Uses)	<u>(3,481,000)</u>	<u>1,850,000</u>	<u>1,175,000</u>
Net Change in Fund Balance	(443,256)	(308,661)	(237,140)
Fund Balance - Beginning (Restated)	<u>3,459,858</u>	<u>416,306</u>	<u>265,058</u>
Fund Balance - Ending	<u>\$ 3,016,602</u>	<u>\$ 107,645</u>	<u>\$ 27,918</u>
Composition of Fund Balance			
Bank Balance	\$ 1,070,167	\$ 192,604	\$ 30,762
Less: Outstanding Checks	(3,204)	(84,959)	(2,844)
Certificates of Deposit	1,949,639		
Fund Balance - Ending	<u>\$ 3,016,602</u>	<u>\$ 107,645</u>	<u>\$ 27,918</u>

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

GREENUP COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2020
(Continued)

Budgeted Funds					
Local Government Economic Assistance Fund	State Fund	Federal Fund	Landfill Fund	Revolving Loan Fund	E911 Fund
\$	\$	\$	\$	\$	\$ 314,828
			434,862		
59,792	222,438	4,180	50,979		240,732
			27,675		19,666
387	96		122	3,225	8,260
<u>60,179</u>	<u>222,534</u>	<u>4,180</u>	<u>513,638</u>	<u>3,225</u>	<u>583,579</u>
	9,221				664,613
			271,046		
4,000					
8,000					
	238,447		120,176		
			63,556		303,199
<u>12,000</u>	<u>247,668</u>		<u>454,778</u>		<u>967,812</u>
<u>48,179</u>	<u>(25,134)</u>	<u>4,180</u>	<u>58,860</u>	<u>3,225</u>	<u>(384,233)</u>
	181,000				275,000
	<u>181,000</u>				<u>275,000</u>
48,179	155,866	4,180	58,860	3,225	(109,233)
186,409	49,610		357,338	197,745	130,924
<u>\$ 234,588</u>	<u>\$ 205,476</u>	<u>\$ 4,180</u>	<u>\$ 416,198</u>	<u>\$ 200,970</u>	<u>\$ 21,691</u>
\$ 234,588	\$ 205,476	\$ 4,180	\$ 416,436	\$ 42,664	\$ 23,009
			(238)		(1,318)
				158,306	
<u>\$ 234,588</u>	<u>\$ 205,476</u>	<u>\$ 4,180</u>	<u>\$ 416,198</u>	<u>\$ 200,970</u>	<u>\$ 21,691</u>

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

GREENUP COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2020
(Continued)

	<u>Unbudgeted Fund</u>	
	<u>Jail Commissary Fund</u>	<u>Total Funds</u>
RECEIPTS		
Taxes	\$	\$ 5,564,959
Excess Fees		210,664
Licenses and Permits		512,116
Intergovernmental		4,190,842
Charges for Services		125,724
Miscellaneous	161,320	356,574
Interest	231	51,757
Total Receipts	<u>161,551</u>	<u>11,012,636</u>
DISBURSEMENTS		
General Government		1,544,137
Protection to Persons and Property		2,484,916
General Health and Sanitation		380,115
Social Services		132,338
Recreation and Culture	138,229	181,302
Roads		3,159,311
Debt Service		220,858
Capital Projects		1,099,501
Administration		2,614,816
Total Disbursements	<u>138,229</u>	<u>11,817,294</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>23,322</u>	<u>(804,658)</u>
Other Adjustments to Cash (Uses)		
Transfers From Other Funds		3,481,000
Transfers To Other Funds		(3,481,000)
Total Other Adjustments to Cash (Uses)		<u> </u>
Net Change in Fund Balance	23,322	(804,658)
Fund Balance - Beginning (Restated)	<u>105,218</u>	<u>5,168,466</u>
Fund Balance - Ending	<u>\$ 128,540</u>	<u>\$ 4,363,808</u>
Composition of Fund Balance		
Bank Balance	\$ 128,890	\$ 2,348,776
Less: Outstanding Checks	(350)	(92,913)
Certificates of Deposit		<u>2,107,945</u>
Fund Balance - Ending	<u>\$ 128,540</u>	<u>\$ 4,363,808</u>

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

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**GREENUP COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2020

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statement of Greenup County includes all budgeted and unbudgeted funds under the control of the Greenup 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.

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.

GREENUP COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

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.

State Fund - The primary purpose of this fund is to account for state grants. The primary source of receipts for this fund is state grants.

Federal Fund - The primary purpose of this fund is to account for federal grants. The primary source of receipts for this fund is federal grants.

Landfill Fund - The primary purpose of this fund is to help keep Greenup County clean. The primary source of receipts for this fund is landfill permit fees.

Revolving Loan Fund - The primary purpose of this fund is to assist local business through loans to qualifying applicants and is intended to stimulate the local economy through successful private enterprise.

E911 Fund - The primary purpose of this fund is to account for the dispatch expenses of the county. The primary source of receipts for this fund is the 911 telephone surcharge.

Unbudgeted Fund

Jail Commissary Fund - The canteen operations are authorized pursuant to KRS 441.135. The profits generated from the sale of items are to be used for the benefit and to enhance the well-being of the inmates, or to enhance safety and security within the jail. The jailer is required to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the jail commissary fund.

D. Budgetary Information

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

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

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

The state local finance officer does not require the jail commissary fund to be budgeted because the fiscal court does not approve the expenses of this fund.

GREENUP COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Greenup County Elected Officials

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

H. Related Obligations and Joint Ventures

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on this criteria, the following is considered a related organization of the Greenup County Fiscal Court:

Greenup County Water District

GREENUP COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Related Obligations and Joint Ventures (Continued)

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based on this criteria, the following are considered joint ventures of the Greenup County Fiscal Court:

Northeast Kentucky Regional Industrial Airport Authority
 Boyd/Greenup Riverport Authority
 Ashland Regional Airport

Note 2. Deposits

The fiscal court maintained deposits of public funds with federally insured banking institutions as required by the Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual*. The DLG Manual strongly recommends perfected pledges of securities covering all public funds except direct federal obligations and funds protected by federal insurance. In order to be perfected 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 the DLG *County Budget Preparation and State Local Finance Officer Policy Manual*. As of June 30, 2020, 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 2020.

	General Fund	Total Transfers In
Road Fund	\$ 1,850,000	\$ 1,850,000
Jail Fund	1,175,000	1,175,000
E911 Fund	275,000	275,000
State Grants Fund	181,000	181,000
	<u>181,000</u>	<u>181,000</u>
Total Transfers Out	<u>\$ 3,481,000</u>	<u>\$ 3,481,000</u>

Reason for transfers:

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

GREENUP COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

Note 4. Custodial Funds

Custodial funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. In accordance with the regulatory basis of accounting, custodial funds are not presented on the financial statement.

The fiscal court has the following custodial funds:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2020 was \$73,499.

Jailer Drug Forfeiture Fund - This fund accounts for funds seized by the Greenup County Jailer and is held until the court system issues orders on what to do with the funds. The balance in the jailer drug forfeiture account as of June 30, 2020 was \$3,620.

FSA/HRA Fund - This fund accounts for employee and employer contributions to reimburse employees for health care expenses. The balance in the FSA/HRA Fund as of June 30, 2020 was \$74,643.

Note 5. Long-term Debt

A. Direct Borrowings and Direct Placements

1. Boyd/Greenup Riverport Authority Land Purchase

On January 12, 2006, the Greenup County Fiscal Court entered into a direct borrowing with the Kentucky Association of Counties to borrow \$500,000 to purchase a tract of land on behalf of the Boyd/Greenup Riverport Authority. The agreement has a term of 28 years with a maturity date of January 20, 2034. Interest payments are due monthly with one principal payment due on January 20th of each year. In order to secure all of its obligations hereunder, the fiscal court grants to the lessor a first and prior security interest in any and all right, title and interest of the project and agrees to deliver all certificates of title to evidence such security interest. If an event of default has occurred, the lessor of this direct borrowing may: (a) terminate the lease term and give notice to the fiscal court to vacate within 60 days of notice, (b) sell or re-lease the project, (c) recover from the fiscal court the lease rental payments which would otherwise have been payable, and (d) take whatever action at law or in equity may appear necessary or desirable to enforce its rights in the project and the right to sell or re-lease or otherwise dispose of the project in accordance with applicable law.

The amount outstanding under this agreement was \$335,000 at June 30, 2020. Payments for the remaining years are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 15,000	\$ 20,792
2022	20,000	19,741
2023	20,000	18,488
2024	20,000	17,257
2025	20,000	15,979
2026-2030	120,000	58,816
2031-2034	120,000	16,577
Totals	<u>\$ 335,000</u>	<u>\$ 167,650</u>

GREENUP COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

Note 5. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

2. Road Repair and Resurfacing

On June 24, 2014, the Greenup County Fiscal Court entered into a ten-year \$1,500,000 lease agreement to repair and resurface roads. The lease has a fixed rate of 2.85 percent through June 19, 2019, and a variable rate thereafter.

If an event of default has occurred, the lessor of this direct borrowing may: (a) enforce the pledge set forth of this lease so that during the remaining lease term there is levied on all taxable property a direct tax annually in an amount sufficient to pay the lease payments when due, (b) by written notice to lessee, enter and take immediate possession of the project; (c) sell or re-lease the project, (d) exercise any other right, remedy or privilege which may be available to it under the applicable laws of the Commonwealth.

The amount outstanding under this agreement was \$600,000 at June 30, 2020. Payments for the remaining years are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 150,000	\$ 26,129
2022	150,000	18,753
2023	150,000	11,377
2024	150,000	4,008
Totals	<u>\$ 600,000</u>	<u>\$ 60,267</u>

B. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2020, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	\$ 1,100,000	\$	\$ 165,000	\$ 935,000	\$ 165,000
Total Long-term Debt	<u>\$ 1,100,000</u>	<u>\$ 0</u>	<u>\$ 165,000</u>	<u>\$ 935,000</u>	<u>\$ 165,000</u>

GREENUP COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

Note 5. Long-term Debt (Continued)

C. Aggregate Debt Schedule

The amounts of required principal and interest payments on long-term obligations at June 30, 2020, were as follows:

Fiscal Year Ended June 30	Direct Borrowings and Direct Placements	
	Principal	Interest
2021	\$ 165,000	\$ 46,921
2022	170,000	38,494
2023	170,000	29,865
2024	170,000	21,265
2025	20,000	15,979
2026-2030	120,000	58,816
2031-2034	120,000	16,577
Total Long-term Debt	<u>\$ 935,000</u>	<u>\$ 227,917</u>

Note 6. 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 2018 was \$813,106, FY 2019 was \$963,663, and FY 2020 was \$999,535.

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.

GREENUP COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

Note 6. Employee Retirement System (Continued)

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 24.06 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.

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.

GREENUP COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

Note 6. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

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.

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 7. Deferred Compensation

The Greenup 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.

GREENUP COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

Note 7. Deferred Compensation (Continued)

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 501 High Street, 2nd Floor, Frankfort, KY 40601, or by telephone at (502) 573-7925.

Note 8. Health Reimbursement Account/Flexible Spending Account

- A. The fiscal court allows employees to participate in a health reimbursement account for employees who waive health insurance coverage provided by the fiscal court. The fiscal court contributes \$300 and employees are required to submit adequate documentation for qualified medical expenses to receive reimbursement. Employees forfeit any remaining balance of funds not utilized during the year.
- B. The fiscal court allows employees to participate in a flexible spending account to provide employees an additional health benefit. Employees contribute pre-tax funds through payroll deduction and are required to submit adequate documentation for qualified medical expenses to receive reimbursement.

Note 9. Insurance

For the fiscal year ended June 30, 2020, the Greenup 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 10. Conduit Debt

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

Note 11. Phone Service Agreement - Technology Grants

- A. On August 10, 2015, the Greenup County Jailer entered into a contract as authorized by the fiscal court for the installation of a telecommunications system in the detention center. The agreement is effective for 48 months from the commencement date. The terms of the agreement included a technology grant in the amount of \$125,000. The county used the technology grant funds to build a jail training facility. The total cost for the jail training facility was \$212,020. The funds to build the jail training facility were derived from a \$50,000 advancement of commissions from the phone service provider to purchase the land, which was not part of the agreement signed on August 10, 2015. During the fiscal year, this contract expired.
- B. On January 30, 2020, the Greenup County Jailer entered into a four year contract in the form of a refundable technology grant to be used the jail's discretion. The grantor will provide the jail \$125,000 over the course of four years. During fiscal year 2020, none of the grant funds were utilized.

GREENUP COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

Note 12. Prior Period Adjustments

The beginning balances of the general fund and jail fund were restated and increased by \$1,077 and \$20, respectively, due to prior year voided checks.

GREENUP COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2020

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GREENUP COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2020

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 5,364,400	\$ 5,364,400	\$ 5,250,131	\$ (114,269)
Excess Fees	63,850	63,850	210,664	146,814
Licenses and Permits	74,000	74,000	77,254	3,254
Intergovernmental	433,200	433,200	664,259	231,059
Charges for Services	2,500	2,500	1,081	(1,419)
Miscellaneous	103,500	103,500	118,160	14,660
Interest	35,000	35,000	46,839	11,839
Total Receipts	<u>6,076,450</u>	<u>6,076,450</u>	<u>6,368,388</u>	<u>291,938</u>
DISBURSEMENTS				
General Government	1,770,404	1,884,104	1,544,137	339,967
Protection to Persons and Property	121,500	162,014	136,337	25,677
General Health and Sanitation	113,500	142,500	109,069	33,431
Social Services	127,000	133,500	128,338	5,162
Recreation and Culture	55,000	55,000	35,073	19,927
Debt Service	37,000	37,000	36,765	235
Capital Projects		212,500	212,500	
Administration	2,372,046	1,769,832	1,128,425	641,407
Total Disbursements	<u>4,596,450</u>	<u>4,396,450</u>	<u>3,330,644</u>	<u>1,065,806</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>1,480,000</u>	<u>1,680,000</u>	<u>3,037,744</u>	<u>1,357,744</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	<u>(3,480,000)</u>	<u>(3,480,000)</u>	<u>(3,481,000)</u>	<u>(1,000)</u>
Total Other Adjustments to Cash (Uses)	<u>(3,480,000)</u>	<u>(3,480,000)</u>	<u>(3,481,000)</u>	<u>(1,000)</u>
Net Change in Fund Balance	(2,000,000)	(1,800,000)	(443,256)	1,356,744
Fund Balance - Beginning (Restated)	<u>2,000,000</u>	<u>2,000,000</u>	<u>3,459,858</u>	<u>1,459,858</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 200,000</u>	<u>\$ 3,016,602</u>	<u>\$ 2,816,602</u>

GREENUP COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2020
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 2,152,730	\$ 2,152,730	\$ 2,223,525	\$ 70,795
Charges for Services	100	100	260	160
Miscellaneous	346,500	346,500	11,582	(334,918)
Interest	500	500	626	126
Total Receipts	<u>2,499,830</u>	<u>2,499,830</u>	<u>2,235,993</u>	<u>(263,837)</u>
DISBURSEMENTS				
Roads	3,138,200	3,172,600	3,039,135	133,465
Debt Service	175,000	184,300	184,093	207
Capital Projects	540,000	650,500	648,554	1,946
Administration	796,000	641,800	522,872	118,928
Total Disbursements	<u>4,649,200</u>	<u>4,649,200</u>	<u>4,394,654</u>	<u>254,546</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(2,149,370)</u>	<u>(2,149,370)</u>	<u>(2,158,661)</u>	<u>(9,291)</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	2,030,000	2,030,000	1,850,000	(180,000)
Total Other Adjustments to Cash (Uses)	<u>2,030,000</u>	<u>2,030,000</u>	<u>1,850,000</u>	<u>(180,000)</u>
Net Change in Fund Balance	(119,370)	(119,370)	(308,661)	(189,291)
Fund Balance - Beginning	119,370	119,370	416,306	296,936
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 107,645</u>	<u>\$ 107,645</u>

GREENUP COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2020
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 953,700	\$ 953,700	\$ 724,937	\$ (228,763)
Charges for Services	101,000	101,000	104,717	3,717
Miscellaneous	32,000	32,000	29,577	(2,423)
Interest	100	100	138	38
Total Receipts	<u>1,086,800</u>	<u>1,086,800</u>	<u>859,369</u>	<u>(227,431)</u>
DISBURSEMENTS				
Protection to Persons and Property	1,675,000	1,751,553	1,674,745	76,808
Administration	617,040	740,487	596,764	143,723
Total Disbursements	<u>2,292,040</u>	<u>2,492,040</u>	<u>2,271,509</u>	<u>220,531</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,205,240)</u>	<u>(1,405,240)</u>	<u>(1,412,140)</u>	<u>(6,900)</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds				
Transfers From Other Funds	1,150,000	1,150,000	1,175,000	25,000
Transfers To Other Funds				
Total Other Adjustments to Cash (Uses)	<u>1,150,000</u>	<u>1,150,000</u>	<u>1,175,000</u>	<u>25,000</u>
Net Change in Fund Balance	(55,240)	(255,240)	(237,140)	18,100
Fund Balance - Beginning (Restated)	<u>55,240</u>	<u>55,240</u>	<u>265,058</u>	<u>209,818</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (200,000)</u>	<u>\$ 27,918</u>	<u>\$ 227,918</u>

GREENUP COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2020
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 55,000	\$ 55,000	\$ 59,792	\$ 4,792
Interest	150	150	387	237
Total Receipts	55,150	55,150	60,179	5,029
DISBURSEMENTS				
Social Services	12,500	12,500	4,000	8,500
Recreation and Culture	15,000	23,000	8,000	15,000
Administration	152,800	144,800		144,800
Total Disbursements	180,300	180,300	12,000	168,300
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(125,150)	(125,150)	48,179	173,329
Net Change in Fund Balance	(125,150)	(125,150)	48,179	173,329
Fund Balance - Beginning	70,000	70,000	186,409	116,409
Fund Balance - Ending	\$ (55,150)	\$ (55,150)	\$ 234,588	\$ 289,738

GREENUP COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2020
(Continued)

	STATE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 283,000	\$ 283,000	\$ 222,438	\$ (60,562)
Interest	35	35	96	61
Total Receipts	<u>283,035</u>	<u>283,035</u>	<u>222,534</u>	<u>(60,501)</u>
DISBURSEMENTS				
General Government	6,500	6,500		6,500
Protection to Persons and Property	71,000	71,000	9,221	61,779
General Health and Sanitation	1,000	1,000		1,000
Social Services	1,000	1,000		1,000
Capital Projects	193,000	238,535	238,447	88
Administration	45,535			
Total Disbursements	<u>318,035</u>	<u>318,035</u>	<u>247,668</u>	<u>70,367</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(35,000)</u>	<u>(35,000)</u>	<u>(25,134)</u>	<u>9,866</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			181,000	181,000
Total Other Adjustments to Cash (Uses)			<u>181,000</u>	<u>181,000</u>
Net Change in Fund Balance	(35,000)	(35,000)	155,866	190,866
Fund Balance - Beginning	<u>35,000</u>	<u>35,000</u>	<u>49,610</u>	<u>14,610</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 205,476</u>	<u>\$ 205,476</u>

GREENUP COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2020
(Continued)

	FEDERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 813,300	\$ 813,300	\$ 4,180	\$ (809,120)
Total Receipts	<u>813,300</u>	<u>813,300</u>	<u>4,180</u>	<u>(809,120)</u>
DISBURSEMENTS				
Other Transportation Facilities and Services	813,300	813,300		813,300
Total Disbursements	<u>813,300</u>	<u>813,300</u>		<u>813,300</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			<u>4,180</u>	<u>4,180</u>
Net Change in Fund Balance			4,180	4,180
Fund Balance - Beginning				
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,180</u>	<u>\$ 4,180</u>

GREENUP COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2020
(Continued)

	LANDFILL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Licenses and Permits	\$ 390,000	\$ 390,000	\$ 434,862	\$ 44,862
Intergovernmental	52,000	52,000	50,979	(1,021)
Charges for Services	1,000	1,000		(1,000)
Miscellaneous	11,500	11,500	27,675	16,175
Interest	100	100	122	22
Total Receipts	<u>454,600</u>	<u>454,600</u>	<u>513,638</u>	<u>59,038</u>
DISBURSEMENTS				
Protection to Persons and Property	20,000	20,000		20,000
General Health and Sanitation	295,500	315,500	271,046	44,454
Roads		120,200	120,176	24
Administration	319,100	178,900	63,556	115,344
Total Disbursements	<u>634,600</u>	<u>634,600</u>	<u>454,778</u>	<u>179,822</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(180,000)</u>	<u>(180,000)</u>	<u>58,860</u>	<u>238,860</u>
Net Change in Fund Balance	(180,000)	(180,000)	58,860	238,860
Fund Balance - Beginning	<u>180,000</u>	<u>180,000</u>	<u>357,338</u>	<u>177,338</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 416,198</u>	<u>\$ 416,198</u>

GREENUP COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2020
(Continued)

	REVOLVING LOAN FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Interest	\$ 2,200	\$ 2,200	\$ 3,225	\$ 1,025
Total Receipts	<u>2,200</u>	<u>2,200</u>	<u>3,225</u>	<u>1,025</u>
DISBURSEMENTS				
General Government	19,000	19,000		19,000
General Health and Sanitation	173,000	173,000		173,000
Total Disbursements	<u>192,000</u>	<u>192,000</u>		<u>192,000</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(189,800)</u>	<u>(189,800)</u>	<u>3,225</u>	<u>193,025</u>
Net Change in Fund Balance	(189,800)	(189,800)	3,225	193,025
Fund Balance - Beginning	<u>189,800</u>	<u>189,800</u>	<u>197,745</u>	<u>7,945</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 200,970</u>	<u>\$ 200,970</u>

GREENUP COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2020
(Continued)

	E911 FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 300,000	\$ 300,000	\$ 314,828	\$ 14,828
Intergovernmental	240,100	240,100	240,732	632
Charges for Services	15,100	15,100	19,666	4,566
Miscellaneous	500	500	8,260	7,760
Interest	100	100	93	(7)
Total Receipts	<u>555,800</u>	<u>555,800</u>	<u>583,579</u>	<u>27,779</u>
DISBURSEMENTS				
Protection to Persons and Property	754,900	767,300	664,613	102,687
Administration	326,100	313,700	303,199	10,501
Total Disbursements	<u>1,081,000</u>	<u>1,081,000</u>	<u>967,812</u>	<u>113,188</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(525,200)</u>	<u>(525,200)</u>	<u>(384,233)</u>	<u>140,967</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>300,000</u>	<u>300,000</u>	<u>275,000</u>	<u>(25,000)</u>
Total Other Adjustments to Cash (Uses)	<u>300,000</u>	<u>300,000</u>	<u>275,000</u>	<u>(25,000)</u>
Net Change in Fund Balance	(225,200)	(225,200)	(109,233)	115,967
Fund Balance - Beginning	<u>225,200</u>	<u>225,200</u>	<u>130,924</u>	<u>(94,276)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 21,691</u>	<u>\$ 21,691</u>

GREENUP COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2020

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. Unbalanced Budget

The local government economic assistance fund original and final budget were out of balance by (\$55,150).

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

For The Year Ended June 30, 2020

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GREENUP COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2020

The fiscal court reports the following Schedule of Capital Assets:

	Balance (*Restated)	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 2,855,418	\$ 50,000		\$ 2,905,418
Buildings and Building Improvements	5,765,175	377,447	\$ 78,958	6,063,664
Vehicles and Equipment *	3,901,570	184,090	1,395,884	2,689,776
Other Equipment	1,363,454	55,670	1,063,977	355,147
Infrastructure	30,988,944	2,144,474	14,092,889	19,040,529
 Total Capital Assets	 <u>\$ 44,874,561</u>	 <u>\$ 2,811,681</u>	 <u>\$ 16,631,708</u>	 <u>\$ 31,054,534</u>

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

June 30, 2020

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.

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

Note 2. Restatement of Capital Assets Beginning Balance

The beginning balance for vehicles and equipment has been restated and decreased \$1,085 due to an error in the prior year calculation.

**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 Robert W. Carpenter, Greenup County Judge/Executive
Members of the Greenup 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 Greenup County Fiscal Court for the fiscal year ended June 30, 2020, and the related notes to the financial statement which collectively comprise the Greenup County Fiscal Court's financial statement and have issued our report thereon dated June 14, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Greenup County Fiscal Court's internal control over financial reporting (internal control) as a basis for designing 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 Greenup County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Greenup 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. We identified certain deficiencies in internal control, which are described in the accompanying Schedule of Findings and Responses that we consider to be significant deficiencies as items 2020-001, 2020-002, and 2020-003.



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 Greenup 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 financial statement. 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*.

Views of Responsible Officials and Planned Corrective Action

Greenup County's views and planned corrective action for the findings identified in our audit are included in the accompanying Schedule of Findings and Responses. The county's responses were not subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

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

June 14, 2021

**GREENUP COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2020

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GREENUP COUNTY
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended June 30, 2020

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES:

2020-001 LGEA Fund Budgeted Receipts Do Not Equal Budgeted Disbursements On The Original Budget

The Local Government Economic Assistance (LGEA) fund receipts on the original budget submitted to and approved by the Department for Local Government (DLG) does not calculate correctly. It appears the amount \$55,150 was added twice in the computation on the original budget. According to the treasurer, she is unsure how this happened and was not caught. Unfortunately, the fiscal court did not have controls in place to catch this mistake before the original budget was submitted to DLG. As a result, the LGEA fund budget does not balance. Further, on the fiscal court's budget to actual report in the audit report, there is a budget balance of \$55,150 at the bottom of the original and final budget columns, which is the result of this calculation error.

Good internal controls dictate that budgeted receipts and budgeted disbursements for each fund equal in order for the budget to balance.

We recommend the treasurer verify the mathematical accuracy of the original budget to ensure that each fund's budget balances.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: Software error caused miscalculation. Problem already corrected.

2020-002 The Jail Does Not Have Adequate Segregation Of Duties Over Jail Commissary Transactions

This is a repeat finding and was included in the prior year audit report as finding 2019-004. The jail does not have adequate segregation of duties over jail commissary transactions.

A deficiency occurs when someone has custody over assets and the responsibility of recording financial transactions. The bookkeeper for the jail commissary prepares deposits, prepares daily checkout sheets, and post to the receipts ledger. In addition, the bookkeeper prepares monthly collection and disbursement reports, posts to the disbursements ledger, and prepares monthly bank reconciliations. The jailer has been informed of this issue and has failed segregate duties or to implement and document compensating controls sufficient to offset the weakness noted.

Inadequate segregation of duties allows one person to have a significant role in processing and recording receipts and disbursements, which increases the risk that misappropriation of assets and inaccurate financial reporting will occur and be undetected.

A strong internal control system requires the duties of receiving, recording, disbursing, and reporting be segregated in order to decrease the risk of misappropriation of assets, errors, and inaccurate financial reporting to external agencies. Although the jailer has implemented some compensating controls, such as dual signatures on checks and recounting the daily deposits, they do not eliminate the risk associated with inadequate segregation of duties.

GREENUP COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2020
(Continued)

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES: (Continued)

2020-002 The Jail Does Not Have Adequate Segregation Of Duties Over Jail Commissary Transactions
 (Continued)

We recommend the jailer either segregate duties adequately or implement and document compensating controls. If these duties cannot be segregated, we recommend the jailer implement additional compensating controls to help offset this weakness:

- Recount the daily deposit and verify that it agrees to the daily checkout sheet.
- Agree the daily checkout sheet to the receipts ledger and deposit slip.
- Review the monthly reports and agree them to the receipts ledger and disbursements ledger.
- Review the monthly bank reconciliation and trace transactions to source documents.

The jailer should initial these documents as proof of his review.

Views of Responsible Official and Planned Corrective Action:

Jailer's Response: The chief deputy or captain will spot check deposits and money counts for transactions in commissary accounts.

2020-003 The Jail Commissary Purchased Electronic Cigarettes Without Obtaining Bids

This is a repeat finding and was included in the prior year audit report as finding 2019-002. The jail commissary purchased electronic cigarettes (e-cigarettes) totaling \$50,112 from a single vendor without obtaining bids. These purchases consisted of 11 invoices less than \$30,000 each.

According to the jail bookkeeper, the jailer did not bid since he prefers the design of the e-cigarette provided by a specific vendor. This is due to them not being made from a hard material, therefore they cannot be made into a dangerous weapon. Further, the jailer did not have controls in place to ensure that they were in compliance with bid requirements.

By not obtaining bids on the e-cigarettes, it cannot be determined if the jailer has procured these items at the best available price.

KRS 45A.365(1) states, “[a]ll contracts or purchases shall be awarded by competitive sealed bidding, which may include the use of a reverse auction, except as otherwise provided by KRS 45A.370 to 45A.385 and for the purchase of wholesale electric power by municipal utilities as provided in KRS 96.901(1).”

KRS 45A.385 states, “[t]he local public agency may use small purchase procedures for any contract for which a determination is made that the aggregate amount of the contract does not exceed thirty thousand dollars \$30,000 if small purchase procedures are in writing and available to the public.”

Good internal controls dictate that the jailer follow guidelines set forth for bid requirements to ensure that the best price is obtained.

GREENUP COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2020
(Continued)

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES: (Continued)

2020-003 The Jail Commissary Purchased Electronic Cigarettes Without Obtaining Bids (Continued)

We recommend that the jailer obtain bids for electronic cigarettes, and any other purchases that meet the requirements of KRS 45A.365(1) and KRS 45A.385.

Views of Responsible Official and Planned Corrective Action:

Jailer's Response: We have no contract for vapor pens. We have not changed vendors because our inmates prefer the [name redacted] brand. We constantly question other companies and compare price versus quality and pens that pass our safety and construction requirements.

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

GREENUP COUNTY FISCAL COURT

For The Year Ended June 30, 2020

Appendix A

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CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
GREENUP COUNTY FISCAL COURT

For The Year Ended June 30, 2020

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

A handwritten signature in black ink, appearing to read "Robert W. Casant", written over a horizontal line.

County Judge/Executive

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

County Treasurer