

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

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



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

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

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
The Honorable Joe Choate, Hart County Judge/Executive
Members of the Hart 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 Hart County Fiscal Court, for the year ended June 30, 2020, and the related notes to the financial statement which collectively comprise the Hart 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 Hart 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 Hart 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 Hart 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 Hart 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
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Members of the Hart County Fiscal Court

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2021, on our consideration of the Hart 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 Hart 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 The Hart County Fiscal Court Did Not Properly Budget For And Record All Debt-Related Activity
- 2020-002 The Hart County Fiscal Court Did Not Follow Proper Procurement Procedures For Purchases Over \$30,000 And Accepted All Road Material Bids

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

January 27, 2021

HART COUNTY OFFICIALS
For The Year Ended June 30, 2020

Fiscal Court Members:

Joe Choate	County Judge/Executive
Gary Gardner	Magistrate
Ricky Alvey	Magistrate
Ronald Riordan	Magistrate
Doug Wells	Magistrate
Lee Miles	Magistrate

Other Elected Officials:

Mike Nichols	County Attorney
Israel Bergenson	Jailer
Lisa Hensley Sanders	County Clerk
Kayla Rountree	Circuit Court Clerk
Jeff Wilson	Sheriff
Cindy Atwell	Property Valuation Administrator
Reggie Pettit (through 2/22/20)	Coroner
Anthony 'Tony' Roberts (beginning 2/23/20)	Coroner

Appointed Personnel:

Tresia Weber	County Treasurer
Tammie Branstetter	Occupational Tax Administrator

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

For The Year Ended June 30, 2020

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

For The Year Ended June 30, 2020

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	\$ 3,304,702	\$	\$
In Lieu Tax Payments	63,904		
Excess Fees	9,433		
Licenses and Permits	79,748		
Intergovernmental	332,402	2,333,965	2,166,983
Charges for Services	1,000		187,792
Miscellaneous	426,850	21,775	232,639
Interest	9,967	4,670	3,171
Total Receipts	<u>4,228,006</u>	<u>2,360,410</u>	<u>2,590,585</u>
DISBURSEMENTS			
General Government	1,911,411		
Protection to Persons and Property	109,362		1,821,884
General Health and Sanitation	635,342		
Social Services	18,089		
Recreation and Culture	7,850		
Roads		2,065,842	
Debt Service	455,048		251,750
Administration	669,960	266,401	468,506
Total Disbursements	<u>3,807,062</u>	<u>2,332,243</u>	<u>2,542,140</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>420,944</u>	<u>28,167</u>	<u>48,445</u>
Other Adjustments to Cash (Uses)			
Financing Obligation Proceeds	337,520		
Transfers From Other Funds			
Transfers To Other Funds	(826,671)		
Total Other Adjustments to Cash (Uses)	<u>(489,151)</u>		
Net Change in Fund Balance	(68,207)	28,167	48,445
Fund Balance - Beginning (Restated)	<u>1,863,232</u>	<u>705,250</u>	<u>500,968</u>
Fund Balance - Ending	<u>\$ 1,795,025</u>	<u>\$ 733,417</u>	<u>\$ 549,413</u>
Composition of Fund Balance			
Bank Balance	\$ 1,316,135	\$ 733,757	\$ 549,863
Plus: Deposits In Transit	230		
Less: Outstanding Checks	(25,728)	(340)	(450)
Certificates of Deposit	504,388		
Fund Balance - Ending	<u>\$ 1,795,025</u>	<u>\$ 733,417</u>	<u>\$ 549,413</u>

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

HART 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 Grants Fund	Federal Grants Fund	911 Dispatch Fund	Sheriff Department Fund	Tourism Fund
\$	\$	\$	\$ 161,173	\$	\$ 83,699
31,131		95,835	25,000	635,011	
		15,828	1,725	9,761	
719			411	1,409	72
<u>31,850</u>		<u>111,663</u>	<u>188,309</u>	<u>646,181</u>	<u>83,771</u>
63,000		15,828		739,809	
65,600		14,380	159,624		
244,070					84,681
		79,680	3,489	280,277	
<u>372,670</u>		<u>109,888</u>	<u>163,113</u>	<u>1,020,086</u>	<u>84,681</u>
<u>(340,820)</u>		<u>1,775</u>	<u>25,196</u>	<u>(373,905)</u>	<u>(910)</u>
340,171			50,650	435,850	
<u>340,171</u>			<u>50,650</u>	<u>435,850</u>	
(649)		1,775	75,846	61,945	(910)
8,035		20	28,135	95,172	15,110
<u>\$ 7,386</u>	<u>\$ 0</u>	<u>\$ 1,795</u>	<u>\$ 103,981</u>	<u>\$ 157,117</u>	<u>\$ 14,200</u>
\$ 7,386	\$	\$ 1,795	\$ 103,981	\$ 163,180	\$ 14,200
				(6,063)	
<u>\$ 7,386</u>	<u>\$ 0</u>	<u>\$ 1,795</u>	<u>\$ 103,981</u>	<u>\$ 157,117</u>	<u>\$ 14,200</u>

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

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

	<u>Unbudgeted Funds</u>		
	<u>Justice Center Public Properties Corporation Fund</u>	<u>Jail Commissary Fund</u>	<u>Total Funds</u>
RECEIPTS			
Taxes	\$	\$	\$ 3,549,574
In Lieu Tax Payments			63,904
Excess Fees			9,433
Licenses and Permits			79,748
Intergovernmental	868,512		6,463,839
Charges for Services			213,792
Miscellaneous		229,921	938,499
Interest		837	21,256
Total Receipts	<u>868,512</u>	<u>230,758</u>	<u>11,340,045</u>
DISBURSEMENTS			
General Government			2,730,048
Protection to Persons and Property			2,105,250
General Health and Sanitation			700,942
Social Services			18,089
Recreation and Culture		270,807	607,408
Roads			2,065,842
Debt Service	868,750		1,575,548
Administration	2,200		1,770,513
Total Disbursements	<u>870,950</u>	<u>270,807</u>	<u>11,573,640</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(2,438)</u>	<u>(40,049)</u>	<u>(233,595)</u>
Other Adjustments to Cash (Uses)			
Financing Obligation Proceeds			337,520
Transfers From Other Funds			826,671
Transfers To Other Funds			(826,671)
Total Other Adjustments to Cash (Uses)			<u>337,520</u>
Net Change in Fund Balance	(2,438)	(40,049)	103,925
Fund Balance - Beginning (Restated)	<u>2,438</u>	<u>171,745</u>	<u>3,390,105</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 131,696</u>	<u>\$ 3,494,030</u>
Composition of Fund Balance			
Bank Balance	\$	\$ 133,992	\$ 3,024,289
Plus: Deposits In Transit			230
Less: Outstanding Checks		(2,296)	(34,877)
Certificates of Deposit			504,388
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 131,696</u>	<u>\$ 3,494,030</u>

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

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TO THE FINANCIAL STATEMENT**

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**HART COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2020

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

The following entities: Hart County Industrial Authority, Inc., Hart County Solid Waste Management District, and Hart County Tourism Commission would have been included in the reporting entity under accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. However, under the regulatory basis, they are no longer are required components of the reporting entity.

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.

HART 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)

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

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

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

State Grants 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.

Federal Grants 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 federal government.

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

Sheriff Department Fund - The primary purpose of this fund is to account for the receipts and disbursements associated with the operation of the sheriff's department.

Tourism Fund - The primary purpose of this fund is to account for tourism taxes collected and then passed through to the tourism commission.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

Justice Center Public Properties Corporation Fund - The primary purpose of this fund is to account for the debt service requirements of the revenue bonds that were issued for the Hart County Justice Center.

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.

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

Note 1. Summary of Significant Accounting Policies (Continued)

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.

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.

E. Hart County Elected Officials

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments (Continued)

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 Jointly Governed Organization

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 Hart County Ambulance Service Taxing District is considered a related organization of the Hart County Fiscal Court.

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 do not retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a jointly governed organization. Based on this criteria, the Green River Valley Water District is considered a jointly governed organization of the Hart County Fiscal Court.

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.

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

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2020.

	General Fund	Total Transfers In
911 Dispatch Fund	\$ 50,650	\$ 50,650
LGEA Fund	340,171	340,171
Sheriff Department Fund	435,850	435,850
Total Transfers Out	<u>\$ 826,671</u>	<u>\$ 826,671</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. 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 fund:

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 \$22,726.

Note 5. Long-term Debt

A. Direct Borrowings and Direct Placements

1. Solid Waste Truck - Hart County #12

The Hart County Fiscal Court entered into a lease agreement on August 8, 2018, with the Kentucky Association of Counties Leasing Trust in the amount of \$164,547 to purchase a truck for solid waste. The truck was purchased with the intention of reselling it prior to the debt maturing. The Hart County Solid Waste Management District is to make the payments on the lease. Terms of the agreement stipulate a repayment schedule in which the final payment is due on February 20, 2020, with variable monthly interest payments due on the 20th of each month. In the case of default, payments become due immediately and the truck is considered the asset pledged as collateral. As of June 30, 2020, the principal balance was paid in full.

2. Solid Waste Truck - Hart County #13

The Hart County Fiscal Court entered into a lease agreement on January 10, 2019, with the Kentucky Association of Counties Leasing Trust in the amount of \$164,547 to purchase a truck for solid waste. The truck was purchased with the intention of reselling it prior to the debt maturing. The Hart County Solid Waste Management District is to make the payments on the lease. Terms of the agreement stipulate a repayment schedule in which the final payment is due on July 20, 2020, with variable monthly interest payments due on the 20th of each month. In the case of default, payments become due immediately and the truck is considered the asset pledged as collateral. As of June 30, 2020, the principal balance was paid in full.

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

Note 5. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

3. Solid Waste Truck - Hart County #14

The Hart County Fiscal Court entered into a lease agreement on August 8, 2019, with the Kentucky Association of Counties Leasing Trust in the amount of \$337,520 to purchase two trucks for solid waste. The trucks were purchased with the intention of reselling prior to the debt maturing. The Hart County Solid Waste Management District is to make the payments on the lease. Terms of the agreement stipulate a repayment schedule in which the final payment is due on February 20, 2021, with variable monthly interest payments due on the 20th of each month. In the case of default, payments become due immediately and the truck is considered the asset pledged as collateral. As of June 30, 2020, the principal balance was \$337,520. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 337,520	\$ 8,956
Totals	<u>\$ 337,520</u>	<u>\$ 8,956</u>

4. Sheriff Building - Bank Note

The Hart County Fiscal Court entered into an agreement on May 31, 2019, to acquire a building for the sheriff's department in the amount of \$402,117. A promissory note was signed at a fixed interest rate of 4.25% for a period of eight years maturing on May 31, 2027. The purchase agreement requires that one principal payment is due per year and interest payments being due quarterly. In the case of default, the remaining balance due becomes payable immediately and the property being held as collateral under a mortgage. As of June 30, 2020, the principal balance was \$351,852. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 50,000	\$ 14,942
2022	50,000	12,829
2023	50,000	10,704
2024	50,000	8,602
2025	50,000	6,454
2026-2028	<u>101,852</u>	<u>6,611</u>
Totals	<u>\$ 351,852</u>	<u>\$ 60,142</u>

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

Note 5. Long-term Debt (Continued)

B. Other Debt

1. General Obligation Refunding Bonds - Series 2013

The Hart County Fiscal Court issued general obligation refunding bonds, series 2013, dated December 10, 2013, for the purpose of refunding series 2004, which refunded series 1998 mortgage revenue bonds. On December 10, 2013, \$3,050,000 of general obligation refunding bonds were issued. Interest is payable semi-annually on September 1 and March 1 of each year with interest rates ranging from 2% to 4%. Principal is payable annually on March 1 of each year. The maturity date is March 1, 2029. In the case of default payments are accelerated and the total outstanding becomes due immediately. As of June 30, 2020, bonds outstanding were \$1,870,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 180,000	\$ 67,700
2022	185,000	62,300
2023	195,000	56,750
2024	200,000	50,900
2025	205,000	44,400
2026-2029	<u>905,000</u>	<u>92,200</u>
Totals	<u>\$ 1,870,000</u>	<u>\$ 374,250</u>

2. First Mortgage Revenue Refunding Bonds, Series 2015 (Judicial Center Project)

The Hart County Public Properties Corporation, an agency and instrumentality of the Hart County Fiscal Court, issued first mortgage revenue refunding bonds, series 2015, dated February 19, 2015, for the purpose of refinancing the first mortgage revenue bonds, series 2007 issue. On February 19, 2015, \$7,290,000 of first mortgage revenue bonds were issued. Interest is payable semi-annually on October 1 and April 1 of each year at rate of 3.00%. Principal is payable annually on April 1 of each year. The maturity date is April 1, 2027. The corporation entered into an annually renewable memorandum of understanding with the Administrative Office of the Courts (AOC), Commonwealth of Kentucky, for rental payments sufficient to pay 100% of the debt service on the bonds. In the case of default payments are accelerated and the total outstanding becomes due immediately. As of June 30, 2020, bonds outstanding were \$5,440,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 710,000	\$ 163,200
2022	730,000	141,900
2023	750,000	120,000
2024	775,000	97,500
2025	800,000	74,250
2026-2027	<u>1,675,000</u>	<u>75,900</u>
Totals	<u>\$ 5,440,000</u>	<u>\$ 672,750</u>

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

Note 5. Long-term Debt (Continued)

B. Other Debt (Continued)

3. Revenue Bonds Series 2015C (Library)

The Hart County Fiscal Court entered into a lease agreement on October 22, 2015, with the Kentucky Association of Counties Finance Corporation through financing program revenue bonds series 2015C in the amount of \$635,000 on behalf of the Hart County Library District to fund the construction of the library. A sublease agreement was signed on April 9, 2015, between the Hart County Fiscal Court and the Hart County Library District which requires the Hart County Library District to make the payments on the lease. Interest is payable semi-annually on December 20 and June 20 of each year. Principal is payable annually on December 20 of each year. The termination date of the lease is December 20, 2034. In the case of default payments are accelerated and the total outstanding becomes due immediately. As of June 30, 2020, the principal balance was \$515,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 25,000	\$ 16,250
2022	30,000	15,425
2023	30,000	14,525
2024	30,000	13,625
2025	30,000	12,725
2026-2030	170,000	48,531
2031-2035	200,000	18,156
Totals	<u>\$ 515,000</u>	<u>\$ 139,237</u>

C. 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	\$ 731,211	\$ 337,520	\$ 379,359	\$ 689,372	\$ 387,520
General Obligation Bonds	2,050,000		180,000	1,870,000	180,000
Revenue Bonds	6,665,000		710,000	5,955,000	735,000
Total Long-term Debt	<u>\$ 9,446,211</u>	<u>\$ 337,520</u>	<u>\$ 1,269,359</u>	<u>\$ 8,514,372</u>	<u>\$ 1,302,520</u>

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

Note 5. Long-term Debt (Continued)

D. 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	Other Debt		Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
2021	\$ 915,000	\$ 247,150	\$ 387,520	\$ 23,898
2022	945,000	219,625	50,000	12,829
2023	975,000	191,275	50,000	10,704
2024	1,005,000	162,025	50,000	8,602
2025	1,035,000	131,375	50,000	6,454
2026-2030	2,750,000	216,631	101,852	6,611
2031-2035	200,000	18,156		
	<u>\$ 7,825,000</u>	<u>\$ 1,186,237</u>	<u>\$ 689,372</u>	<u>\$ 69,098</u>

Note 6. Commitments and Contingencies

The county is involved in multiple lawsuits. While individually they may not be significant, in the aggregate they could negatively impact the county's financial position. Due to the uncertainty of the litigation, a reasonable estimate of the financial impact on the county cannot be made at this time.

Note 7. 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 \$466,688, FY 2019 was \$537,452, and FY 2020 was \$631,095.

Nonhazardous

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.

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

Note 7. Employee Retirement System (Continued)

Nonhazardous (Continued)

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on or after January 1, 2014, 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 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.

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

Note 7. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

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

Once members reach a minimum vesting period of 15 years, they earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually by 1.5 percent. This was established for Tier 2 members during the 2008 Special Legislative Session by House Bill 1. During the 2013 Legislative Session, Senate Bill 2 was enacted, creating Tier 3 benefits for members.

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

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

C. Cost of Living Adjustments - Tier 1

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

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

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

E. Death Benefit

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

KRS Annual Financial Report and Proportionate Share Audit Report

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

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.

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

Note 8. Deferred Compensation

In February 2004, the Hart 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 501 High Street, 2nd Floor, Frankfort, KY 40601, or by telephone at (502) 573-7925.

Note 9. Insurance

For the fiscal year ended June 30, 2020, the Hart 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. Prior Period Adjustments

The beginning fund balance of the general fund and jail commissary fund have been restated by \$55 and \$58,248, respectively due to correction of a returned check and removing commissary funds maintained in the inmate account.

Note 11. Subsequent Event

The Hart County Fiscal Court entered into a community development block grant agreement as the sub-recipient with the Department for Local Government effective March 31, 2020 through December 30, 2022 to assist with the pretreatment expansion on the Progress Park Industrial Pretreatment Project with the Hart County Industrial Authority. The contract amount was for \$1,000,000. As of June 30, 2020, no grant funds have been received.

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HART COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2020

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HART 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	\$ 3,133,000	\$ 3,133,000	\$ 3,304,702	\$ 171,702
In Lieu Tax Payments	55,000	55,000	63,904	8,904
Excess Fees	30,000	30,000	9,433	(20,567)
Licenses and Permits	40,000	40,000	79,748	39,748
Intergovernmental	324,650	324,650	332,402	7,752
Charges for Services	1,000	1,000	1,000	
Miscellaneous	434,669	434,669	426,850	(7,819)
Interest	1,500	1,500	9,967	8,467
Total Receipts	<u>4,019,819</u>	<u>4,019,819</u>	<u>4,228,006</u>	<u>208,187</u>
DISBURSEMENTS				
General Government	2,027,200	2,133,918	1,911,411	222,507
Protection to Persons and Property	135,740	142,115	109,362	32,753
General Health and Sanitation	331,200	323,400	635,342	(311,942)
Social Services	24,500	26,000	18,089	7,911
Recreation and Culture	7,850	7,850	7,850	
Debt Service	451,669	456,570	455,048	1,522
Administration	838,502	725,108	669,960	55,148
Total Disbursements	<u>3,816,661</u>	<u>3,814,961</u>	<u>3,807,062</u>	<u>7,899</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>203,158</u>	<u>204,858</u>	<u>420,944</u>	<u>216,086</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds			337,520	337,520
Transfers From Other Funds	223,513	223,513		(223,513)
Transfers To Other Funds	(826,671)	(826,671)	(826,671)	
Total Other Adjustments to Cash (Uses)	<u>(603,158)</u>	<u>(603,158)</u>	<u>(489,151)</u>	<u>114,007</u>
Net Change in Fund Balance	(400,000)	(398,300)	(68,207)	330,093
Fund Balance - Beginning (Restated)	<u>400,000</u>	<u>400,000</u>	<u>1,863,232</u>	<u>1,463,232</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 1,700</u>	<u>\$ 1,795,025</u>	<u>\$ 1,793,325</u>

HART 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	\$ 1,865,313	\$ 1,965,313	\$ 2,333,965	\$ 368,652
Miscellaneous	33,000	33,000	21,775	(11,225)
Interest	1,000	1,000	4,670	3,670
Total Receipts	<u>1,899,313</u>	<u>1,999,313</u>	<u>2,360,410</u>	<u>361,097</u>
DISBURSEMENTS				
Roads	2,027,400	2,188,225	2,065,842	122,383
Administration	348,400	295,375	266,401	28,974
Total Disbursements	<u>2,375,800</u>	<u>2,483,600</u>	<u>2,332,243</u>	<u>151,357</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(476,487)</u>	<u>(484,287)</u>	<u>28,167</u>	<u>512,454</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	<u>(223,513)</u>	<u>(223,513)</u>		<u>223,513</u>
Total Other Adjustments to Cash (Uses)	<u>(223,513)</u>	<u>(223,513)</u>		<u>223,513</u>
Net Change in Fund Balance	(700,000)	(707,800)	28,167	735,967
Fund Balance - Beginning	<u>700,000</u>	<u>700,000</u>	<u>705,250</u>	<u>5,250</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (7,800)</u>	<u>\$ 733,417</u>	<u>\$ 741,217</u>

HART 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	\$ 2,068,000	\$ 2,068,000	\$ 2,166,983	\$ 98,983
Charges for Services	185,000	185,000	187,792	2,792
Miscellaneous	5,800	5,800	232,639	226,839
Interest	600	600	3,171	2,571
Total Receipts	<u>2,259,400</u>	<u>2,259,400</u>	<u>2,590,585</u>	<u>331,185</u>
DISBURSEMENTS				
Protection to Persons and Property	1,881,000	1,919,200	1,821,884	97,316
Debt Service	252,000	252,000	251,750	250
Administration	517,000	589,094	468,506	120,588
Total Disbursements	<u>2,650,000</u>	<u>2,760,294</u>	<u>2,542,140</u>	<u>218,154</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(390,600)</u>	<u>(500,894)</u>	<u>48,445</u>	<u>549,339</u>
Net Change in Fund Balance	(390,600)	(500,894)	48,445	549,339
Fund Balance - Beginning	<u>390,600</u>	<u>500,894</u>	<u>500,968</u>	<u>74</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 549,413</u>	<u>\$ 549,413</u>

HART 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	\$ 25,400	\$ 25,400	\$ 31,131	\$ 5,731
Interest	100	100	719	619
Total Receipts	<u>25,500</u>	<u>25,500</u>	<u>31,850</u>	<u>6,350</u>
DISBURSEMENTS				
General Government	63,000	63,000	63,000	
General Health and Sanitation	65,600	65,600	65,600	
Recreation and Culture	244,071	244,071	244,070	1
Administration		1,035		1,035
Total Disbursements	<u>372,671</u>	<u>373,706</u>	<u>372,670</u>	<u>1,036</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(347,171)</u>	<u>(348,206)</u>	<u>(340,820)</u>	<u>7,386</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>340,171</u>	<u>340,171</u>	<u>340,171</u>	
Total Other Adjustments to Cash (Uses)	<u>340,171</u>	<u>340,171</u>	<u>340,171</u>	
Net Change in Fund Balance	(7,000)	(8,035)	(649)	7,386
Fund Balance - Beginning	<u>7,000</u>	<u>8,035</u>	<u>8,035</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 7,386</u>	<u>\$ 7,386</u>

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

	STATE GRANTS FUND			
	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
RECEIPTS				
Intergovernmental	\$	\$	\$	\$
Total Receipts				
DISBURSEMENTS				
General Government				
Total Disbursements				
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)				
Net Change in Fund Balance				
Fund Balance - Beginning				
Fund Balance - Ending	\$ 0	\$ 0	\$ 0	\$ 0

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

	FEDERAL GRANTS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,000,000	\$ 1,000,000	\$ 95,835	\$ (904,165)
Miscellaneous			15,828	15,828
Total Receipts	<u>1,000,000</u>	<u>1,000,000</u>	<u>111,663</u>	<u>(888,337)</u>
DISBURSEMENTS				
General Government		15,828	15,828	
Protection to Persons and Property		18,010	14,380	3,630
Administration	1,000,000	966,162	79,680	886,482
Total Disbursements	<u>1,000,000</u>	<u>1,000,000</u>	<u>109,888</u>	<u>890,112</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			<u>1,775</u>	<u>1,775</u>
Net Change in Fund Balance			1,775	1,775
Fund Balance - Beginning			<u>20</u>	<u>20</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,795</u>	<u>\$ 1,795</u>

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

	911 DISPATCH FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 110,000	\$ 110,000	\$ 161,173	\$ 51,173
Charges for Services	25,000	25,000	25,000	
Miscellaneous			1,725	1,725
Interest	25	25	411	386
Total Receipts	<u>135,025</u>	<u>135,025</u>	<u>188,309</u>	<u>53,284</u>
DISBURSEMENTS				
Protection to Persons and Property	202,175	196,080	159,624	36,456
Administration	3,500	11,630	3,489	8,141
Total Disbursements	<u>205,675</u>	<u>207,710</u>	<u>163,113</u>	<u>44,597</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(70,650)</u>	<u>(72,685)</u>	<u>25,196</u>	<u>97,881</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>50,650</u>	<u>50,650</u>	<u>50,650</u>	
Total Other Adjustments to Cash (Uses)	<u>50,650</u>	<u>50,650</u>	<u>50,650</u>	
Net Change in Fund Balance	(20,000)	(22,035)	75,846	97,881
Fund Balance - Beginning	<u>20,000</u>	<u>28,135</u>	<u>28,135</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 6,100</u>	<u>\$ 103,981</u>	<u>\$ 97,881</u>

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

	SHERIFF DEPARTMENT FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 525,000	\$ 525,000	\$ 635,011	\$ 110,011
Miscellaneous	20,000	20,000	9,761	(10,239)
Interest	100	100	1,409	1,309
Total Receipts	<u>545,100</u>	<u>545,100</u>	<u>646,181</u>	<u>101,081</u>
DISBURSEMENTS				
General Government	765,750	787,973	739,809	48,164
Administration	315,200	288,149	280,277	7,872
Total Disbursements	<u>1,080,950</u>	<u>1,076,122</u>	<u>1,020,086</u>	<u>56,036</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(535,850)</u>	<u>(531,022)</u>	<u>(373,905)</u>	<u>157,117</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>435,850</u>	<u>435,850</u>	<u>435,850</u>	
Total Other Adjustments to Cash (Uses)	<u>435,850</u>	<u>435,850</u>	<u>435,850</u>	
Net Change in Fund Balance	(100,000)	(95,172)	61,945	157,117
Fund Balance - Beginning	<u>100,000</u>	<u>95,172</u>	<u>95,172</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 157,117</u>	<u>\$ 157,117</u>

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

	TOURISM FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 95,000	\$ 95,000	\$ 83,699	\$ (11,301)
Interest			72	72
Total Receipts	<u>95,000</u>	<u>95,000</u>	<u>83,771</u>	<u>(11,229)</u>
DISBURSEMENTS				
Recreation and Culture	95,000	95,000	84,681	10,319
Total Disbursements	<u>95,000</u>	<u>95,000</u>	<u>84,681</u>	<u>10,319</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			<u>(910)</u>	<u>(910)</u>
Net Change in Fund Balance			(910)	(910)
Fund Balance - Beginning			<u>15,110</u>	<u>15,110</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 14,200</u>	<u>\$ 14,200</u>

**HART 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. Excess of Disbursements Over Appropriations

General fund general health and sanitation exceeded budgeted appropriations by \$311,942.

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

For The Year Ended June 30, 2020

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HART 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:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 656,952	\$ 19,000	\$	\$ 675,952
Buildings and Building Improvements	16,609,390	12,000		16,621,390
Other Equipment	1,224,891	20,334		1,245,225
Vehicles and Equipment	2,250,741	226,447	71,022	2,406,166
Infrastructure	11,114,230	908,690		12,022,920
 Total Capital Assets	 <u>\$ 31,856,204</u>	 <u>\$ 1,186,471</u>	 <u>\$ 71,022</u>	 <u>\$ 32,971,653</u>

**HART 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 and Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Other Equipment	\$ 5,000	3-25
Vehicles and Equipment	\$ 5,000	3-25
Infrastructure	\$ 10,000	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 Joe Choate, Hart County Judge/Executive
Members of the Hart 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 Hart County Fiscal Court for the fiscal year ended June 30, 2020, and the related notes to the financial statement which collectively comprise the Hart County Fiscal Court's financial statement and have issued our report thereon dated January 27, 2021.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2020-001 to be a material weakness.



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 Hart County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2020-001 and 2020-002.

Views of Responsible Official and Planned Corrective Action

Hart 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,



Mike Harmon
Auditor of Public Accounts

January 27, 2021

**HART COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2020

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**HART COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2020

FINANCIAL STATEMENT FINDINGS:

2020-001 The Hart County Fiscal Court Did Not Properly Budget For And Record All Debt-Related Activity

This is a repeat finding and was included in the prior year audit report as finding 2019-002. The fiscal court did not comply with reporting requirements for debt bearing the fiscal court's name. During the year, one new financing obligation was entered into by the fiscal court on behalf of the Hart County Solid Waste Management district for the purchase of two Mack trucks. The new financing obligation was \$337,520.

The financing proceeds went directly from lessor to the vendor and were not reported on the financial statement. Since these transactions did not run through the fiscal court's bank accounts, they were not included in the fiscal court's budget process or reflected on the fiscal court's financial report. The fiscal court was not aware the proceeds needed to be reported until the assets were sold.

As a result, the fiscal court failed to properly budget for and record the financing obligation proceeds of \$337,520 in the general fund. This resulted in appropriations in excess of budget in the general fund health and sanitation category by \$311,942.

KRS 68.300 states, in part, "[a]ny appropriation made or claim allowed by the fiscal court in excess of any budget fund, and any warrant or contract not made within the budget appropriations, shall be void." KRS 68.280 gives fiscal courts the ability to amend the budget when necessary which would have prevented appropriations from exceeding the approved budget. Since the fiscal court is obligated for these obligations, all debt should be budgeted for and recorded properly.

We recommend the fiscal court comply with KRS 68.300 and KRS 68.280 by budgeting all fiscal court financing obligations and amending the budget as necessary to reflect unanticipated receipts and disbursements related to financing obligations of this nature.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: Auditor's explained that funds sent directly to the vendor from the lending institution still need to be included in all financial statements, not just the budgeting of payments.

2020-002 The Hart County Fiscal Court Did Not Follow Proper Procurement Procedures For Purchases Over \$30,000 And Accepted All Road Material Bids

The Hart County Fiscal Court did not advertise for bids on all expenditures for contracted services and materials exceeding \$30,000. The fiscal court paid \$281,113 to a food service vendor for inmates and \$69,627 to a vendor for janitorial/cleaning supplies. These items were not bid by the fiscal court. In addition, the Hart County Fiscal Court accepted all road material bids on March 21, 2019, for fiscal year 2020 and on March 12, 2020, for fiscal year 2021. Acceptance of the winning bids or lowest bids were not all documented since more than one bidder was approved for some road material products.

The fiscal court and jail were not aware they needed to bid the food service contract again since the contract was expired and on an annual renewal basis. They were also not aware the janitorial/cleaning supplies needed to be bid. Furthermore, they were not aware road materials could not all be accepted as part of the bidding process.

As a result, the fiscal court was not in compliance with procurement laws or their administrative code. In addition, the county may not have received the best value for services or products provided.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2020-002 The Hart County Fiscal Court Did Not Follow Proper Procurement Procedures For Purchases Over \$30,000 And Accepted All Road Material Bids (Continued)

KRS 424.260(1) states, in part, “[e]xcept where a statute specifically fixes a larger sum as the minimum for a requirement of advertisement for bids, no city, county, or district, or board or commission of a city or county, or sheriff or county clerk, may make a contract, lease, or other agreement for materials, supplies except perishable meat, fish, and vegetables, equipment, or for contractual services other than professional, involving an expenditure of more than thirty thousand dollars (\$30,000) without first making newspaper advertisement for bids.”

KRS 178.140(1) states “[a]ll bids for the construction or maintenance of county roads and bridges shall be received at the time and place specified in the advertisement, and shall be opened publicly at the time of awarding, and the amount of items comprising each bid shall be publicly announced.” In addition, KRS 178.140(2) states “[t]he contract shall be awarded to the lowest and best bidder, who shall furnish satisfactory security in an amount equal to the amount of the contract in question, to be approved by the county judge/executive of the county.”

In addition, according to the Hart County Administrative Code Section 8.2(B) “Any expenditure or contract for goods (except perishable meat, fish, and vegetables), or services, other than professional, involving an expenditure of more than Thirty Thousand Dollars (\$30,000) shall be subject to competitive bidding or the state contract price.”

We recommend the fiscal court monitor disbursements to ensure procurement procedures are followed properly for all purchases and contracts in the future.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive’s Response: Fiscal Court accepted all road material bids due to the location of the providers. We will specify when advertising for bids that we are taking bids for certain materials in different regions. Also we have notified the Jailer that all contracts are to be rebid after contract has expired even if it is on an annual renewal basis. All janitorial supplies will be advertised for bid.

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

HART COUNTY FISCAL COURT

For The Year Ended June 30, 2020

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CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE

HART COUNTY FISCAL COURT

For The Year Ended June 30, 2020

The Hart 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