

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

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



**MIKE HARMON
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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 Logan Chick, Logan County Judge/Executive
Members of the Logan 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 Logan County Fiscal Court, for the year ended June 30, 2019, and the related notes to the financial statement which collectively comprise the Logan 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
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
The Honorable Logan Chick, Logan County Judge/Executive
Members of the Logan County Fiscal Court

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

As described in Note 1 of the financial statement, the financial statement is prepared by the Logan 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 Logan County Fiscal Court as of June 30, 2019, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the fund balances of the Logan County Fiscal Court as of June 30, 2019, and their respective cash receipts and disbursements, and budgetary results for the year then ended, in accordance with the basis of accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of the Logan 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 Logan Chick, Logan County Judge/Executive
Members of the Logan County Fiscal Court

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2020, on our consideration of the Logan 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 Logan 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:

2019-001 The Logan County Fiscal Court Lacks Adequate Internal Controls Over Their Bid Process

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

March 3, 2020

LOGAN COUNTY OFFICIALS
For The Year Ended June 30, 2019

Fiscal Court Members:

Logan Chick	County Judge/Executive
Tyler Davenport	Magistrate
Jack Crossley	Magistrate
Barry Joe Wright	Magistrate
Robert Chyle	Magistrate
Jason Harper	Magistrate
Thomas Bouldin	Magistrate

Other Elected Officials:

Joe Ross	County Attorney
Phil Gregory	Jailer
Scottie Harper	County Clerk
Mary Orange	Circuit Court Clerk
Stephen Stratton	Sheriff
Brooke Brown	Property Valuation Administrator
Mary Givens	Coroner

Appointed Personnel:

Amanda Stratton	County Treasurer
Karen Taylor	Finance Officer

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

For The Year Ended June 30, 2019

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

For The Year Ended June 30, 2019

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	\$ 2,342,203	\$	\$
In Lieu Tax Payments	257,379		
Licenses and Permits	27,879		
Intergovernmental	2,255,364	2,048,166	1,691,747
Charges for Services			42,900
Miscellaneous	210,117	1,960	31,728
Interest	1,166	838	162
Total Receipts	<u>5,094,108</u>	<u>2,050,964</u>	<u>1,766,537</u>
DISBURSEMENTS			
General Government	4,266,319	310	
Protection to Persons and Property	746,346		2,040,920
General Health and Sanitation	300		
Social Services	225		
Recreation and Culture	43,025		
Roads		1,731,534	
Debt Service			
Capital Projects		106,355	
Administration	699,685	231,918	440,500
Total Disbursements	<u>5,755,900</u>	<u>2,070,117</u>	<u>2,481,420</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(661,792)</u>	<u>(19,153)</u>	<u>(714,883)</u>
Other Adjustments to Cash (Uses)			
Transfers From Other Funds	610,000		1,033,000
Transfers To Other Funds			(320,938)
Total Other Adjustments to Cash (Uses)	<u>610,000</u>		<u>712,062</u>
Net Change in Fund Balance	(51,792)	(19,153)	(2,821)
Fund Balance - Beginning	1,033,805	469,075	122,383
Fund Balance - Ending	<u>\$ 982,013</u>	<u>\$ 449,922</u>	<u>\$ 119,562</u>
Composition of Fund Balance			
Bank Balance	\$ 1,062,081	\$ 506,672	\$ 126,391
Plus: Deposits In Transit			
Less: Outstanding Checks	(80,068)	(56,750)	(6,829)
Investments			
Fund Balance - Ending	<u>\$ 982,013</u>	<u>\$ 449,922</u>	<u>\$ 119,562</u>

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

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

Budgeted Funds					
Local Government Economic Assistance Fund	Solid Waste Fund	Occupational Tax Fund	Lifeskills Fund	911 Fund	Special Reserve Fund
\$	\$	\$ 3,781,519	\$	\$ 365,412	\$
144,323	148,929				
387					
725	25,656			101	
100	702	3,924	152	50	56,599
<u>145,535</u>	<u>175,287</u>	<u>3,785,443</u>	<u>152</u>	<u>365,563</u>	<u>56,599</u>
192,936	184,307	122,094			
				513,787	
95,303					
28,100					
100,480					
83,730					
1,380	36,026	23,529		166,248	
<u>501,929</u>	<u>220,333</u>	<u>145,623</u>		<u>680,035</u>	
(356,394)	(45,046)	3,639,820	152	(314,472)	56,599
319,400				325,000	
		(2,287,400)			
<u>319,400</u>		<u>(2,287,400)</u>		<u>325,000</u>	
(36,994)	(45,046)	1,352,420	152	10,528	56,599
99,710	762,898	3,581,731	152,842	52,576	4,060,396
<u>\$ 62,716</u>	<u>\$ 717,852</u>	<u>\$ 4,934,151</u>	<u>\$ 152,994</u>	<u>\$ 63,104</u>	<u>\$ 4,116,995</u>
\$ 83,799	\$ 722,629	\$ 4,937,979	\$ 152,994	\$ 64,682	\$ 4,116,995
(21,083)	(4,777)	(3,828)		(1,578)	
<u>\$ 62,716</u>	<u>\$ 717,852</u>	<u>\$ 4,934,151</u>	<u>\$ 152,994</u>	<u>\$ 63,104</u>	<u>\$ 4,116,995</u>

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

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

	<u>Unbudgeted Funds</u>			<u>Total Funds</u>
	<u>Public Properties Corporation Detention Center Fund</u>	<u>Public Properties Corporation Justice Center Fund</u>	<u>Jail Commissary Fund</u>	
RECEIPTS				
Taxes	\$	\$	\$	\$ 6,489,134
In Lieu Tax Payments				257,379
Licenses and Permits				27,879
Intergovernmental	10,073	982,500		7,281,102
Charges for Services				43,287
Miscellaneous			433,300	703,587
Interest				63,693
Total Receipts	<u>10,073</u>	<u>982,500</u>	<u>433,300</u>	<u>14,866,061</u>
DISBURSEMENTS				
General Government				4,765,966
Protection to Persons and Property				3,301,053
General Health and Sanitation				95,603
Social Services				28,325
Recreation and Culture			334,954	478,459
Roads				1,815,264
Debt Service	330,200	981,500		1,311,700
Capital Projects				106,355
Administration				1,599,286
Total Disbursements	<u>330,200</u>	<u>981,500</u>	<u>334,954</u>	<u>13,502,011</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(320,127)</u>	<u>1,000</u>	<u>98,346</u>	<u>1,364,050</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	320,938			2,608,338
Transfers To Other Funds				(2,608,338)
Total Other Adjustments to Cash (Uses)	<u>320,938</u>			
Net Change in Fund Balance	811	1,000	98,346	1,364,050
Fund Balance - Beginning	<u>340,962</u>	<u>4,094</u>	<u>327,643</u>	<u>11,008,115</u>
Fund Balance - Ending	<u>\$ 341,773</u>	<u>\$ 5,094</u>	<u>\$ 425,989</u>	<u>\$ 12,372,165</u>
Composition of Fund Balance				
Bank Balance	\$ 40,861	\$ 5,094	\$ 448,605	\$ 12,268,782
Plus: Deposits In Transit			1,615	1,615
Less: Outstanding Checks			(24,231)	(199,144)
Investments	<u>300,912</u>			<u>300,912</u>
Fund Balance - Ending	<u>\$ 341,773</u>	<u>\$ 5,094</u>	<u>\$ 425,989</u>	<u>\$ 12,372,165</u>

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

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**LOGAN COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2019

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statement of Logan County includes all budgeted and unbudgeted funds under the control of the Logan 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 Logan County Tourist and Convention Commission would have been included in the reporting entity under accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. However, under the regulatory basis, they are no longer required components of the reporting entity. Audits of the following entities can be obtained from the Logan County Fiscal Court: 200 West Fourth Street, Russellville, KY 42276.

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.

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

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

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

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

Solid Waste Fund - The primary purpose of this fund is to account for solid waste management receipts and related disbursements. The primary source of receipts for this fund is the off-site waste management fees.

Occupational Tax Fund - The primary purpose of this fund is to account for occupational and net profit taxes. The primary source of receipts for this fund are taxes collected for occupational license fees and net profit tax. These receipts are transferred to other funds as needed.

Lifeskills Fund - The primary purpose of this fund is to account for the proceeds of specific revenue sources and related disbursements that are legally restricted for specific purposes. These funds were received as a repayment of a revolving loan connected to a federal grant. Under the grant agreement, these funds must be used for community or economic development activities.

911 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.

Special Reserve Fund - The primary purpose of this fund is to account for special revenue sources and related disbursements. The primary source of receipts for this fund is interest earned.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

Public Properties Corporation Detention Center Fund - The primary purpose of this fund is to account for debt service requirements of the revenue refunding bonds issued to advance refund revenue bonds that funded the construction of the detention center. The Department for Local Government does not require the fiscal court to budget these funds.

Public Properties Corporation Justice Center Fund - The primary purpose of this fund is to account for debt service requirements of the revenue refunding bonds issued to advance refund revenue bonds that funded the construction of the justice center. The Department for Local Government does not require the fiscal court to budget these funds.

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Unbudgeted Funds (Continued)

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.

The state local finance officer does not require the Public Properties Corporation Detention Center Fund and Public Properties Corporation Justice Center Fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually.

E. Logan County Elected Officials

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments

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

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

G. Long-term Obligations

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

Note 2. Deposits and Investments

A. Deposits

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

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 66.480(1)(d) and KRS 41.240. As of June 30, 2019, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

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

Note 2. Deposits and Investments (Continued)

B. Investments

As of June 30, 2019, the fiscal court had the following investments and maturities:

Type	Cost Basis	Maturities (In Years)	
		Less Than 1	1-5
U.S. Treasury			
Mutual Funds	\$ 40,861	\$ 40,861	\$
Investments:			
U.S. Government and			
U.S. Agencies Bonds	300,912		300,912
Total Investments	<u>300,912</u>		<u>300,912</u>
 Total Fund Balance	 <u>\$ 341,773</u>	 <u>\$ 40,861</u>	 <u>\$ 300,912</u>

Custodial Credit Risk is the risk that, in the event of failure of the counterparty, the fiscal court will not be able to recover the value of its certificates of deposit, investments, or collateral securities that are in the possession of an outside party. The fiscal court's investment policy requires counterparties to provide sufficient collateral or other insurance if any investments or deposits exceed the insurance provided by Federal Deposit Insurance Corporation (FDIC) and the Securities Investor Protection Corporation (SIPC). All certificates of deposit and investments must be held by the counterparty in the fiscal court's name. The fiscal court has \$300,912 of investments in securities held by the counterparties' trust departments in the fiscal court's name. The SIPC provides up to \$500,000 coverage for securities and cash (limit of \$250,000 for cash) per client and the counterparties maintain additional insurance coverage for loss of securities and cash above the coverage provided by FDIC and SIPC.

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The fiscal court is statutorily limited as to credit ratings, at the time of purchase. KRS 66.480 and the fiscal court's investment policy define the following items as permissible investments:

- 1) Obligations of the United States and of its agencies and instrumentalities.
- 2) Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States government agency.
- 3) Obligations of any corporation of the United States government.
- 4) Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution having a physical presence in Kentucky which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations, including surety bonds, permitted by KRS 41.240.
- 5) Uncollateralized certificates of deposit issued by any bank or savings and loan institution having a physical presence in Kentucky rated in one of the three highest categories by a competent rating agency.
- 6) Bankers' acceptances for banks rated in one of the three highest categories by a competent rating agency.
- 7) Commercial paper rated in the highest category by a competent rating agency.
- 8) Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities.
- 9) Securities issued by a state or local government, or any instrumentality of agency thereof, in the United States, and rated in one of the three highest categories by a competent rating agency.

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

Note 2. Deposits and Investments (Continued)

B. Investments (Continued)

- 10) Shares of mutual funds and exchange traded funds, each of which shall have the following characteristics:
- The mutual funds shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended.
 - The management company of the investment company shall have been in operation for at least five years.
 - All of the securities in the mutual fund shall be eligible investments pursuant to this section.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the fiscal court's investment in a single issuer. U.S. Government securities and investments in mutual funds are excluded from this risk. The fiscal court does not have 5 percent or more of the fiscal court's investments invested in any single security.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The fiscal court's policy provides that, to the extent practicable, investments are matched with anticipated cash flows. Investments are diversified to minimize the risk of loss resulting from over-concentration of assets in a specific maturity period, a single issuer, or an individual class of securities. See table above for investments listed by type and duration.

Foreign Currency Risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The fiscal court's policy historically has been to invest only in securities in U.S. denominations.

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2019.

	Occupational Tax Fund	Jail Fund	Total Transfers In
General Fund	\$ 610,000	\$	\$ 610,000
Jail Fund	1,033,000		1,033,000
LGEA Fund	319,400		319,400
911 Fund	325,000		325,000
PPC Detention Center Fund		320,938	320,938
Total Transfers Out	<u>\$ 2,287,400</u>	<u>\$ 320,938</u>	<u>\$ 2,608,338</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.

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

Note 4. Agency Trust Funds

Agency trust funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments.

The fiscal court has the following agency trust fund:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2019, was \$4,087. This balance is included in the jail commissary fund balance of \$425,989.

Note 5. Long-term Debt

A. First Mortgage Revenue Bonds (Justice Center Project), Series 2008

On March 1, 2008, Logan County Public Properties Corporation issued First Mortgage Revenue Bonds (Justice Center Project), Series 2008, to provide funding for the construction of the Logan County Judicial Center. The total bond issue was in the amount of \$14,775,000, with interest rates varying between 2.50% and 4.25%. Interest is payable on February 1 and August 1 of each year. Principal is payable annually on February 1. Logan County Fiscal Court entered into a lease agreement with Kentucky Administrative Office of the Courts in order to provide funding to meet annual debt service requirements. On March 1, 2016, the Logan County Public Properties Corporation issued First Mortgage Refunding Revenue Bonds (Justice Center), Series 2016 to advance refund \$7,175,000 of this principal balance.

Upon the happening and continuance of any Event of Default to protect and enforce its rights and the rights of the Owners of the Bonds by such of the following remedies, as the Trustee, being advised by counsel, will deem most effectual to protect and enforce such rights. By enforcement of the foreclosable mortgage lien on the Project Site and improvements granted by the Mortgage, and in such event the Trustee will take over possession, custody and control of the Project Site and will operate or carry out decretal sale of same with due regard to State and Federal law and the covenants contained in the Lease for the benefit of the Owners of the Bonds. Provided, however, that no such foreclosure sale will result in a deficiency judgment of any type or in any amount against AOC, the County or the Corporation, and until such sale the County may at any time by the discharge of the Bonds and interest and any premium thereon receive an unencumbered fee simple title to the mortgaged facilities; provided that in the event of any such enforcement of said lien by the Trustee, there will first be paid all expenses incident to said document, and thereafter the Bonds then outstanding will be paid and retired. By declaring all Bonds due and payable, and if all defaults will be made good, then, with the written consent of the Owners of not less than twenty-five percent (25%) in a principal amount of the Outstanding Bonds, by annulling such declaration and its consequences. Total principal balance outstanding as of June 30, 2019 was \$750,000. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2020	\$ 750,000	\$ 30,000
Totals	\$ 750,000	\$ 30,000

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

Note 5. Long-term Debt (Continued)

B. First Mortgage Revenue Refunding Bonds (Detention Facilities Project), Series 2010

On March 4, 2010, Logan County Public Properties Corporation issued First Mortgage Revenue Refunding Bonds (Detention Facilities Project), Series 2010, to refund the First Mortgage Revenue Bonds (Detention Facility Project), Series 1998. The total bond issue was in the amount of \$3,835,000, with interest rates varying between 2% and 4%. Interest is payable on March 1 and September 1 of each year. Principal is payable annually on September 1.

Upon the happening and continuance of any Event of Default to protect and enforce its rights and the rights of the Owners of the Bonds by such of the following remedies, as the Trustee, being advised by counsel, will deem most effectual to protect and enforce such rights:

By enforcement of the foreclosable mortgage lien on the Project Site and improvements granted by the Mortgage, and in such event the Trustee will take over possession, custody and control of the Project Site and will operate or carry out decretal sale of same with due regard to State and Federal law and the covenants contained in the Lease for the benefit of the Owners of the Bonds. Provided, however, that no such foreclosure sale will result in a deficiency judgment of any type or in any amount against AOC, the County or the Corporation, and until such sale the County may at any time by the discharge of the Bonds and interest and any premium thereon receive an unencumbered fee simple title to the mortgaged facilities; provided that in the event of any such enforcement of said lien by the Trustee, there will first be paid all expenses incident to said document, and thereafter the Bonds then outstanding will be paid and retired.

By declaring all Bonds due and payable, and if all defaults will be made good, then, with the written consent of the Owners of not less than twenty-five percent (50%) in a principal amount of the Outstanding Bonds, by annulling such declaration and its consequences.

Total principal balance outstanding as of June 30, 2019 was \$1,785,000. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2020	\$ 265,000	\$ 65,769
2021	280,000	55,200
2022	290,000	43,800
2023	305,000	31,900
2024	315,000	19,500
2025	330,000	6,600
Totals	<u>\$ 1,785,000</u>	<u>\$ 222,769</u>

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

Note 5. Long-term Debt (Continued)

C. First Mortgage Revenue Refunding Bonds (Justice Center Project), Series 2016

On March 9, 2016, Logan County Public Properties Corporation issued First Mortgage Revenue Refunding Bonds (Justice Center Project), Series 2016, to refund the First Mortgage Revenue Bonds (Justice Center Project), Series 2008. The total bond issue was in the amount of \$7,595,000, with interest rates varying between 3.5% and 4%. Interest is payable on March 1 and September 1 of each year. Principal is payable annually on February 1 beginning February 1, 2020.

Upon the happening and continuance of any Event of Default to protect and enforce its rights and the rights of the Owners of the Bonds by such of the following remedies, as the Trustee, being advised by counsel, will deem most effectual to protect and enforce such rights:

By enforcement of the foreclosable mortgage lien on the Project Site and improvements granted by the Mortgage, and in such event the Trustee will take over possession, custody and control of the Project Site and will operate or carry out decretal sale of same with due regard to State and Federal law and the covenants contained in the Lease for the benefit of the Owners of the Bonds. Provided, however, that no such foreclosure sale will result in a deficiency judgment of any type or in any amount against AOC, the County or the Corporation, and until such sale the County may at any time by the discharge of the Bonds and interest and any premium thereon receive an unencumbered fee simple title to the mortgaged facilities; provided that in the event of any such enforcement of said lien by the Trustee, there will first be paid all expenses incident to said document, and thereafter the Bonds then outstanding will be paid and retired.

By declaring all Bonds due and payable, and if all defaults will be made good, then, with the written consent of the Owners of not less than twenty-five percent (25%) in a principal amount of the Outstanding Bonds, by annulling such declaration and its consequences.

Total principal balance outstanding as of June 30, 2019 was \$7,595,000. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2020	\$ 50,000	\$ 200,800
2021	870,000	199,800
2022	885,000	182,400
2023	900,000	164,700
2024	920,000	146,700
2025-2028	3,970,000	301,950
Totals	<u>\$ 7,595,000</u>	<u>\$ 1,196,350</u>

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

Note 5. Long-term Debt (Continued)

D. Changes In Long-term Debt

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
First Mortgage Revenue Bonds	\$ 1,470,000	\$	\$ 720,000	\$ 750,000	\$ 750,000
First Mortgage Revenue Refunding Bonds	9,635,000		255,000	9,380,000	315,000
Total Long-term Debt	<u>\$ 11,105,000</u>	<u>\$ 0</u>	<u>\$ 975,000</u>	<u>\$10,130,000</u>	<u>\$ 1,065,000</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 2017 was \$614,118, FY 2018 was \$653,381, and FY 2019 was \$786,756.

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.

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.

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

Note 6. Employee Retirement System (Continued)

Nonhazardous (Continued)

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

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

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

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

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

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.

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

Note 6. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB)

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

On June 30, 2000, the Logan 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.

LOGAN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(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 40601-8862, or by telephone at (502) 573-7925.

Note 8. Health Reimbursement Account/Flexible Spending Account

The Logan County Fiscal Court has established a flexible spending account to provide employees an additional health benefit. The county has contracted with a third-party administrator to administer the plan. The plan provides \$2,000 each year to an HRA for employees who choose employee only plans and \$4,000 each year to an HRA for employees with spouse, child, or family plans. The fiscal court contributes \$200 per month or \$2,400 each year to an FSA for employees who choose to waive health insurance. Employees may also contribute additional pre-tax funds through payroll deduction.

Note 9. Insurance

For the fiscal year ended June 30, 2019, the Logan 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. Related Party Transactions

The Logan County Fiscal Court paid \$928, for the period January 1, 2019 through June 30, 2019 to a business owned by a magistrate.

The Logan County Attorney received office space and supplies from the fiscal court for his role as county attorney. This space is also shared with his private practice and child support, they each paid \$1,000 and \$12,000 for rent; respectively to the fiscal court for fiscal year June 30, 2019.

Note 11. 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 Logan 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.

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

Note 12. Tax Abatements

The occupational tax was abated under the authority of the Logan County Fiscal Court. Champion Petfoods USA, Inc. is eligible to receive this tax abatement due as a result of its commitment to creating and/or retaining jobs in Logan County. The taxes are abated by granting of a credit in an amount up to 0.33 percent of the county's occupational license fee. Champion Petfoods USA, Inc. made the commitment to create and/or retain jobs by building a new pet food processing, warehousing, and distribution facility. The performance term of the tax abatement is 10 years from the activation of the incentive program. For fiscal year ended June 30, 2019, Logan County Fiscal Court abated zero occupational taxes.

The occupational tax was abated under the authority of the Logan County Fiscal Court. Ventra Plastics is eligible to receive this tax abatement due as a result of its commitment to locate and create jobs and investments regarding an expansion in Logan County. The taxes are abated by granting of a credit of 0.27 percent of the county's occupational license fee for respective salaries and wages for any position created or any new hire resulting directly from the company's planned expansion. Ventra Plastics made the commitment to locate and create jobs and investments regarding an expansion. The performance term of the tax abatement is 10 years from the activation of the incentive program. Ventra Plastics has not activated this incentive program as of June 30, 2019. For fiscal year ended June 30, 2019, Logan County Fiscal Court abated zero occupational taxes.

The occupational tax was abated under the authority of the Logan County Fiscal Court. Logan Aluminum Inc. is eligible to receive this tax abatement due as a result of its commitment to creating and/or retaining jobs in Logan County. The taxes are abated by granting of a credit of 0.75 percent of the county's occupational license fee. Logan Aluminum Inc. made the commitment regarding an expansion which involves a substantial investment in property and equipment and creating new jobs. The performance term of the tax abatement is 10 years from the activation of the incentive program. Logan Aluminum Inc. has not activated this incentive program as of June 30, 2019. For fiscal year ended June 30, 2019, Logan County Fiscal Court abated zero occupational taxes.

The occupational tax was abated under the authority of the Logan County Fiscal Court. Emerson Electric Co. is eligible to receive this tax abatement due as a result of its commitment to creating and/or retaining jobs in Logan County. The taxes are abated by granting of a credit of 0.27 percent of the county's occupational license fee. Emerson Electric Co. made the commitment regarding an expansion which involves a substantial investment in property and equipment and creating new jobs. The performance term of the tax abatement is 10 years from the activation of the incentive program. Emerson Electric Co. has not activated this incentive program as of June 30, 2019. For fiscal year ended June 30, 2019, Logan County Fiscal Court abated zero occupational taxes.

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LOGAN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2019

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LOGAN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2019

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 2,015,150	\$ 2,015,150	\$ 2,342,203	\$ 327,053
In Lieu Tax Payments	200,000	200,000	257,379	57,379
Licenses and Permits	21,992	21,992	27,879	5,887
Intergovernmental	2,038,853	2,053,853	2,255,364	201,511
Miscellaneous	77,147	188,007	210,117	22,110
Interest			1,166	1,166
Total Receipts	<u>4,353,142</u>	<u>4,479,002</u>	<u>5,094,108</u>	<u>615,106</u>
DISBURSEMENTS				
General Government	4,909,944	4,951,404	4,266,319	685,085
Protection to Persons and Property	696,482	786,217	746,346	39,871
General Health and Sanitation	300	300	300	
Social Services	1,000	1,000	225	775
Recreation and Culture	58,000	58,000	43,025	14,975
Capital Projects	96,803	96,803		96,803
Administration	940,820	945,665	699,685	245,980
Total Disbursements	<u>6,703,349</u>	<u>6,839,389</u>	<u>5,755,900</u>	<u>1,083,489</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(2,350,207)</u>	<u>(2,360,387)</u>	<u>(661,792)</u>	<u>1,698,595</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>1,550,207</u>	<u>1,550,207</u>	<u>610,000</u>	<u>(940,207)</u>
Total Other Adjustments to Cash (Uses)	<u>1,550,207</u>	<u>1,550,207</u>	<u>610,000</u>	<u>(940,207)</u>
Net Change in Fund Balance	(800,000)	(810,180)	(51,792)	758,388
Fund Balance - Beginning	<u>800,000</u>	<u>800,000</u>	<u>1,033,805</u>	<u>233,805</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (10,180)</u>	<u>\$ 982,013</u>	<u>\$ 992,193</u>

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

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 2,089,415	\$ 2,089,415	\$ 2,048,166	\$ (41,249)
Miscellaneous	1,600	1,600	1,960	360
Interest			838	838
Total Receipts	<u>2,091,015</u>	<u>2,091,015</u>	<u>2,050,964</u>	<u>(40,051)</u>
DISBURSEMENTS				
General Government	500	500	310	190
Roads	3,007,650	3,007,517	1,731,534	1,275,983
Capital Projects	200,000	200,000	106,355	93,645
Administration	304,627	304,760	231,918	72,842
Total Disbursements	<u>3,512,777</u>	<u>3,512,777</u>	<u>2,070,117</u>	<u>1,442,660</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,421,762)</u>	<u>(1,421,762)</u>	<u>(19,153)</u>	<u>1,402,609</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>952,770</u>	<u>952,770</u>		<u>(952,770)</u>
Total Other Adjustments to Cash (Uses)	<u>952,770</u>	<u>952,770</u>		<u>(952,770)</u>
Net Change in Fund Balance	(468,992)	(468,992)	(19,153)	449,839
Fund Balance - Beginning	<u>468,992</u>	<u>468,992</u>	<u>469,075</u>	<u>83</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 449,922</u>	<u>\$ 449,922</u>

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

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,366,307	\$ 1,391,003	\$ 1,691,747	\$ 300,744
Charges for Services	41,100	41,100	42,900	1,800
Miscellaneous	34,300	34,300	31,728	(2,572)
Interest			162	162
Total Receipts	<u>1,441,707</u>	<u>1,466,403</u>	<u>1,766,537</u>	<u>300,134</u>
DISBURSEMENTS				
Protection to Persons and Property	2,175,468	2,175,368	2,040,920	134,448
Debt Service	320,938			
Administration	685,224	710,020	440,500	269,520
Total Disbursements	<u>3,181,630</u>	<u>2,885,388</u>	<u>2,481,420</u>	<u>403,968</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,739,923)</u>	<u>(1,418,985)</u>	<u>(714,883)</u>	<u>704,102</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,614,481	1,614,481	1,033,000	(581,481)
Transfers To Other Funds		(320,938)	(320,938)	
Total Other Adjustments to Cash (Uses)	<u>1,614,481</u>	<u>1,293,543</u>	<u>712,062</u>	<u>(581,481)</u>
Net Change in Fund Balance	(125,442)	(125,442)	(2,821)	122,621
Fund Balance - Beginning	<u>125,442</u>	<u>125,442</u>	<u>122,383</u>	<u>(3,059)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 119,562</u>	<u>\$ 119,562</u>

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

	LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 81,000	\$ 81,000	\$ 144,323	\$ 63,323
Charges for Services	400	400	387	(13)
Miscellaneous			725	725
Interest			100	100
Total Receipts	<u>81,400</u>	<u>81,400</u>	<u>145,535</u>	<u>64,135</u>
DISBURSEMENTS				
General Government	229,936	229,936	192,936	37,000
General Health and Sanitation	99,000	99,000	95,303	3,697
Social Services	40,500	39,700	28,100	11,600
Recreation and Culture	95,356	103,656	100,480	3,176
Roads	116,136	116,136	83,730	32,406
Administration	1,443	1,443	1,380	63
Total Disbursements	<u>582,371</u>	<u>589,871</u>	<u>501,929</u>	<u>87,942</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(500,971)</u>	<u>(508,471)</u>	<u>(356,394)</u>	<u>152,077</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>401,261</u>	<u>401,261</u>	<u>319,400</u>	<u>(81,861)</u>
Total Other Adjustments to Cash (Uses)	<u>401,261</u>	<u>401,261</u>	<u>319,400</u>	<u>(81,861)</u>
Net Change in Fund Balance	(99,710)	(107,210)	(36,994)	70,216
Fund Balance - Beginning	<u>99,710</u>	<u>99,710</u>	<u>99,710</u>	<u>99,710</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (7,500)</u>	<u>\$ 62,716</u>	<u>\$ 70,216</u>

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

	SOLID WASTE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 82,409	\$ 82,409	\$ 148,929	\$ 66,520
Miscellaneous	12,100	12,100	25,656	13,556
Interest			702	702
Total Receipts	<u>94,509</u>	<u>94,509</u>	<u>175,287</u>	<u>80,778</u>
DISBURSEMENTS				
General Government	224,397	272,230	184,307	87,923
Administration	530,112	481,099	36,026	445,073
Total Disbursements	<u>754,509</u>	<u>753,329</u>	<u>220,333</u>	<u>532,996</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(660,000)</u>	<u>(658,820)</u>	<u>(45,046)</u>	<u>613,774</u>
Net Change in Fund Balance	(660,000)	(658,820)	(45,046)	613,774
Fund Balance - Beginning	<u>660,000</u>	<u>660,000</u>	<u>762,898</u>	<u>102,898</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 1,180</u>	<u>\$ 717,852</u>	<u>\$ 716,672</u>

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

	OCCUPATIONAL TAX FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 2,845,000	\$ 2,845,000	\$ 3,781,519	\$ 936,519
Interest			3,924	3,924
Total Receipts	<u>2,845,000</u>	<u>2,845,000</u>	<u>3,785,443</u>	<u>940,443</u>
DISBURSEMENTS				
General Government	110,607	142,210	122,094	20,116
Administration	413,354	365,251	23,529	341,722
Total Disbursements	<u>523,961</u>	<u>507,461</u>	<u>145,623</u>	<u>361,838</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>2,321,039</u>	<u>2,337,539</u>	<u>3,639,820</u>	<u>1,302,281</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	<u>(5,296,785)</u>	<u>(5,296,785)</u>	<u>(2,287,400)</u>	<u>3,009,385</u>
Total Other Adjustments to Cash (Uses)	<u>(5,296,785)</u>	<u>(5,296,785)</u>	<u>(2,287,400)</u>	<u>3,009,385</u>
Net Change in Fund Balance	(2,975,746)	(2,959,246)	1,352,420	4,311,666
Fund Balance - Beginning	<u>2,975,746</u>	<u>2,975,746</u>	<u>3,581,731</u>	<u>605,985</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 16,500</u>	<u>\$ 4,934,151</u>	<u>\$ 4,917,651</u>

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

	LIFESKILLS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Interest	\$	\$	\$ 152	\$ 152
Total Receipts			152	152
DISBURSEMENTS				
General Government	152,843	152,843		152,843
Total Disbursements	152,843	152,843		152,843
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(152,843)	(152,843)	152	152,995
Net Change in Fund Balance	(152,843)	(152,843)	152	152,995
Fund Balance - Beginning	152,843	152,843	152,842	(1)
Fund Balance - Ending	\$ 0	\$ 0	\$ 152,994	\$ 152,994

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

	911 FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 350,000	\$ 350,000	\$ 365,412	\$ 15,412
Miscellaneous	100	100	101	1
Interest			50	50
Total Receipts	<u>350,100</u>	<u>350,100</u>	<u>365,563</u>	<u>15,463</u>
DISBURSEMENTS				
Protection to Persons and Property	883,472	883,472	513,787	369,685
Administration	292,694	292,694	166,248	126,446
Total Disbursements	<u>1,176,166</u>	<u>1,176,166</u>	<u>680,035</u>	<u>496,131</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(826,066)</u>	<u>(826,066)</u>	<u>(314,472)</u>	<u>511,594</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	778,066	778,066	325,000	(453,066)
Total Other Adjustments to Cash (Uses)	<u>778,066</u>	<u>778,066</u>	<u>325,000</u>	<u>(453,066)</u>
Net Change in Fund Balance	(48,000)	(48,000)	10,528	58,528
Fund Balance - Beginning	<u>48,000</u>	<u>48,000</u>	<u>52,576</u>	<u>4,576</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 63,104</u>	<u>\$ 63,104</u>

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

	SPECIAL RESERVE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Interest	\$ 17,000	\$ 17,000	\$ 56,599	\$ 39,599
Total Receipts	<u>17,000</u>	<u>17,000</u>	<u>56,599</u>	<u>39,599</u>
DISBURSEMENTS				
Administration	4,077,380	4,077,380		4,077,380
Total Disbursements	<u>4,077,380</u>	<u>4,077,380</u>		<u>4,077,380</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(4,060,380)</u>	<u>(4,060,380)</u>	56,599	<u>4,116,979</u>
Net Change in Fund Balance	(4,060,380)	(4,060,380)	56,599	4,116,979
Fund Balance - Beginning	<u>4,060,380</u>	<u>4,060,380</u>	<u>4,060,396</u>	<u>16</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,116,995</u>	<u>\$ 4,116,995</u>

LOGAN COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2019

Note 1. Budgetary Information

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

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

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

LOGAN COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2019

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LOGAN COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2019

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 2,376,428	\$	\$	\$ 2,376,428
Construction In Progress	7,000		7,000	
Buildings	20,385,581			509,395
Land and Building Improvements	509,395	127,765		20,513,346
Vehicles & Equipment	5,848,979	280,606	305,729	5,823,856
Infrastructure	16,501,749	1,012,348	1,127,548	16,386,549
Total Capital Assets	<u>\$ 45,629,132</u>	<u>\$ 1,420,719</u>	<u>\$ 1,440,277</u>	<u>\$ 45,609,574</u>

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

June 30, 2019

Note 1. Capital Assets

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

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 25,000	10-60
Buildings and Building Improvements	\$ 50,000	10-75
Equipment	\$ 5,000	3-25
Vehicles	\$ 5,000	3-25
Infrastructure	\$ 25,000	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 Logan Chick, Logan County Judge/Executive
Members of the Logan 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 Logan County Fiscal Court for the fiscal year ended June 30, 2019, and the related notes to the financial statement which collectively comprise the Logan County Fiscal Court's financial statement and have issued our report thereon dated March 3, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Logan 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 Logan County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Logan 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 2019-001 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 Logan County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Views of Responsible Official and Planned Corrective Action

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

Purpose of this Report

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

Respectfully submitted,

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

Mike Harmon
Auditor of Public Accounts

March 3, 2020

**LOGAN COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2019

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**LOGAN COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2019

INTERNAL CONTROL - MATERIAL WEAKNESS:

2019-001 The Logan County Fiscal Court Lacks Adequate Internal Controls Over Their Bid Process

In fiscal year 2019, the Logan County Fiscal Court had internal control deficiencies over the bid process. The following findings were noted in regards to Logan County Fiscal Court's bids:

- The Logan County Fiscal Court failed to re-bid for the jail food service provider for fiscal year 2019. The fiscal court initially bid the contract and then entered into a renewable contract with the food service provider on June 1, 2016. The bid advertisement published by the fiscal court did not include the period of time for which the contract would be made.
- On April 10, 2018, the Logan County Fiscal Court voted to approve a resolution that Logan County accept all annual bids for petroleum products for fiscal year 2018-2019, with the exception of one vendor.
- The bid accepted for asphalt had a clause for fluctuations in petroleum-based products, allowing the vendor the right to adjust the proposal price (+ or -) at the time of installation to reflect changes in petroleum-based products using the Kentucky Average Price Index (KAPI) as published by the Kentucky Transportation Cabinet. An employee at the road department calls the vendor at the beginning of each month to get the new price for asphalt, but he does not verify that this information agrees to the KAPI.

The judge/executive told the finance officer that according to the county attorney it was not necessary to re-bid the food service provider, since there is an auto-renew clause in the contract. Additionally, there is a lack of knowledge and internal controls over bidding procedures and bid laws. Since bidding procedures were not followed, it is possible that the county did not get the lowest rate for a jail food service provider or be billed the correct amount for petroleum based products. This also puts the county at higher risk for potential fraudulent purchases.

Strong internal controls require management to monitor disbursements and purchase orders to ensure compliance with bid laws. Good internal controls would also include requiring the documentation of agreement of bid elements included on invoices, such as the of KAPI amounts, to sources referenced in the original bid document. The fiscal court's administrative code states "After analyzing each bid with the assistance of the particular Department Head or other expert, the Judge Executive creates a written recommendation as to the best bid by a responsible bidder.", which indicates a single bid and bidder be awarded. Additionally, OAG 74-420 states, "It has been noted that the advertisement requirement and the bidding process itself involves three important benefits: (a) an offering to the public, (b) an opportunity for competition and (c) a basis for exact comparison of bids." OAG 94-20 also notes that a bid advertisement under KRS 424.260 must reasonably state the expected quantity of items purchased, either by stating the quantity to be purchased, the period of time over which a continuing procurement will be made, or some other reasonable basis.

We recommend fiscal court implement internal controls to monitor all procurements in order to ensure that all required elements of bidding procedures are followed. The fiscal court should also ensure that bid prices and other elements included in approved bids, agree to the invoices submitted by vendors.

County Judge/Executive's Response:

- *Logan County Fiscal Court will address and correct the bid process for contracts to be for each fiscal year or a specific period of time.*
- *Logan County Fiscal Court will award bids to only one bidder or reject all bids.*
- *Logan County Fiscal Court diligently works to ensure that itemized invoices are received and will make sure bid invoices are specific.*
- *Logan County Fiscal Court will check the KAPI before agreeing to the price on asphalt before it is applied and will ensure that copies of the KAPI documents are attached to all invoices.*

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

LOGAN COUNTY FISCAL COURT

For The Year Ended June 30, 2019

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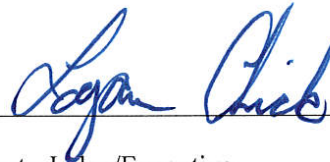
CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAM

COUNTY FISCAL COURT

For The Year Ended June 30, 2019

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

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County Judge/Executive

A handwritten signature in blue ink, appearing to read "Amanda Stratton", written over a horizontal line.

County Treasurer