

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

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



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CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT .....	1
MEADE COUNTY OFFICIALS.....	4
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - REGULATORY BASIS.....	6
NOTES TO FINANCIAL STATEMENT.....	9
BUDGETARY COMPARISON SCHEDULES.....	21
NOTES TO REGULATORY SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULES.....	26
SCHEDULE OF CAPITAL ASSETS.....	29
NOTES TO OTHER INFORMATION - REGULATORY BASIS SCHEDULE OF CAPITAL ASSETS.....	30
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 <i>GOVERNMENT AUDITING STANDARDS</i> .....	33
SCHEDULE OF FINDINGS AND RESPONSES.....	37
APPENDIX A: CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	

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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 Gerry Lynn, Meade County Judge/Executive  
Members of the Meade 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 Meade County Fiscal Court, for the year ended June 30, 2019, and the related notes to the financial statement which collectively comprise the Meade County Fiscal Court's financial statement as listed in the table of contents.

**Management's Responsibility for the Financial Statement**

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

**Auditor's Responsibility**

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

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

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



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

As described in Note 1 of the financial statement, the financial statement is prepared by the Meade 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 Meade 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 Meade 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 Meade 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 and the Schedule of Expenditures of Federal Awards 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  
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**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2020, on our consideration of the Meade 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 Meade 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 herein, which discusses the following report finding:

- 2019-001 The Meade County Fiscal Court Did Not Bid Expenditures Over \$20,000
- 2019-002 The Meade County Detention Center Lacks Adequate Segregation Of Duties Over Receipts And Bank Reconciliations

Respectfully submitted,



Mike Harmon  
Auditor of Public Accounts

February 14, 2020

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

Gerry Lynn	County Judge/Executive
Thomas Goddard	Magistrate
Donald Eli Dix Jr.	Magistrate
Billy Sipes	Magistrate
Gary Chapman	Magistrate
Steve Wardrip	Magistrate
Randall Hardesty	Magistrate

**Other Elected Officials:**

Jessica Brown Roberts	County Attorney
J. J. Scarborough	Jailer
Judy Jordan	County Clerk
Evelyn D. Medley	Circuit Court Clerk
Phillip Wimpee	Sheriff
Rebecca Richardson	Property Valuation Administrator
William R. Adams III	Coroner

**Appointed Personnel:**

Tammy Weick	County Treasurer
Mandy Sturgeon	Payroll Officer
Kris Reichmuth	Chief Financial Officer



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

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

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

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

	<b>Budgeted Funds</b>		
	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>
<b>RECEIPTS</b>			
Taxes	\$ 5,443,307	\$	\$
Excess Fees	385,935		
Licenses and Permits	127,421		
Intergovernmental	188,323	1,408,324	2,400,213
Charges for Services	1,256,874	265	98,092
Miscellaneous	227,103	1,357	37,800
Interest	43,533	1,351	271
Total Receipts	<u>7,672,496</u>	<u>1,411,297</u>	<u>2,536,376</u>
<b>DISBURSEMENTS</b>			
General Government	1,475,709		
Protection to Persons and Property	1,677,450		1,899,820
General Health and Sanitation	95,758		
Social Services	12,245		
Recreation and Culture	238,817		
Transportation Facility and Services		361	
Roads		1,798,782	
Debt Service	615,907		362,250
Administration	1,686,293	245,409	579,825
Total Disbursements	<u>5,802,179</u>	<u>2,044,552</u>	<u>2,841,895</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>1,870,317</u>	<u>(633,255)</u>	<u>(305,519)</u>
<b>Other Adjustments to Cash (Uses)</b>			
Transfers From Other Funds	1,000		359,325
Transfers To Other Funds	<u>(759,325)</u>	<u>(1,000)</u>	
Total Other Adjustments to Cash (Uses)	<u>(758,325)</u>	<u>(1,000)</u>	<u>359,325</u>
Net Change in Fund Balance	1,111,992	(634,255)	53,806
Fund Balance - Beginning	<u>8,697,703</u>	<u>1,006,699</u>	<u>205,893</u>
Fund Balance - Ending	<u>\$ 9,809,695</u>	<u>\$ 372,444</u>	<u>\$ 259,699</u>
<b>Composition of Fund Balance</b>			
Bank Balance	\$ 8,581,329	\$ 557,682	\$ 269,382
Plus: Deposits In Transit			
Less: Outstanding Checks	(644,003)	(185,238)	(9,683)
Less: Liabilities			
Certificates of Deposit	<u>1,872,369</u>		
Fund Balance - Ending	<u>\$ 9,809,695</u>	<u>\$ 372,444</u>	<u>\$ 259,699</u>

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

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

<u>Budgeted Funds</u>		<u>Unbudgeted Fund</u>	
<u>Local Government Economic Assistance Fund</u>	<u>Solid Waste Fund</u>	<u>Jail Commissary Fund</u>	<u>Total Funds</u>
\$	\$ 4,311	\$	\$ 5,447,618
			385,935
			127,421
571,574	44,248		4,612,682
210,736	296,770		1,862,737
	329,841	467,052	1,063,153
231	232		45,618
<u>782,541</u>	<u>675,402</u>	<u>467,052</u>	<u>13,545,164</u>
			1,475,709
660,557			4,237,827
	991,288		1,087,046
			12,245
		461,330	700,147
			361
			1,798,782
	4,231		982,388
<u>217,461</u>	<u>163,376</u>		<u>2,892,364</u>
<u>878,018</u>	<u>1,158,895</u>	<u>461,330</u>	<u>13,186,869</u>
<u>(95,477)</u>	<u>(483,493)</u>	<u>5,722</u>	<u>358,295</u>
100,000	300,000		760,325
			(760,325)
<u>100,000</u>	<u>300,000</u>		
4,523	(183,493)	5,722	358,295
99,852	265,292	85,612	10,361,051
<u>\$ 104,375</u>	<u>\$ 81,799</u>	<u>\$ 91,334</u>	<u>\$ 10,719,346</u>
\$ 105,600	\$ 115,636	\$ 95,503	\$ 9,725,132
		2,072	2,072
(1,225)	(29,694)	(6,241)	(876,084)
	(4,143)		(4,143)
			1,872,369
<u>\$ 104,375</u>	<u>\$ 81,799</u>	<u>\$ 91,334</u>	<u>\$ 10,719,346</u>

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

**INDEX FOR NOTES  
TO THE FINANCIAL STATEMENT**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES .....	9
NOTE 2.	DEPOSITS .....	11
NOTE 3.	TRANSFERS.....	12
NOTE 4.	SHORT-TERM DEBT .....	12
NOTE 5.	LONG-TERM DEBT .....	13
NOTE 6.	COMMITMENT DEBT.....	14
NOTE 7.	EMPLOYEE RETIREMENT SYSTEM .....	15
NOTE 8.	DEFERRED COMPENSATION.....	17
NOTE 9.	INSURANCE.....	18
NOTE 10.	SUBSEQUENT EVENTS .....	18
NOTE 11.	COMMITMENTS AND CONTINGENCIES .....	18

**MEADE COUNTY  
NOTES TO FINANCIAL STATEMENT**

**June 30, 2019**

**Note 1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The financial statement of Meade County includes all budgeted and unbudgeted funds under the control of the Meade 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 Meade County Riverport Authority 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. The Authority does not receive audited financial statements.

**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.

**MEADE 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 receipts and disbursements related to collection of solid waste and recycling services in Meade County.

**Unbudgeted Funds**

The fiscal court reports the following unbudgeted funds:

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.

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

**Note 1. Summary of Significant Accounting Policies (Continued)**

**E. Meade County Elected Officials**

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

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

**F. Deposits and Investments**

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

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

**G. Long-term Obligations**

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

**Note 2. Deposits**

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

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

**Note 2. Deposits (Continued)**

Custodial Credit Risk - Deposits

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

**Note 3. Transfers**

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

	General Fund	Road Fund	Total Transfers In
General Fund	\$	\$ 1,000	\$ 1,000
Jail Fund	359,325		359,325
LGEA Fund	100,000		100,000
Solid Waste Fund	300,000		300,000
Total Transfers Out	<u>\$ 759,325</u>	<u>\$ 1,000</u>	<u>\$ 760,325</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. Short-term Debt**

**A. Solid Waste Truck**

The Meade County Fiscal Court agreed to purchase a solid waste truck during fiscal year ending June 30, 2018. The purchase requires an annual payment due July 6, 2019. Per the agreement between the fiscal court and the bank, in the event of default on the debt, the bank has multiple remedy options including accelerating the debt payment, but enacting any of those options the default is not waived. Principal payment requirements and scheduled interest for the retirement of the obligation were paid in full.

**B. Changes in Short-term Debt**

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Financing Obligations	\$ 153,916	\$	\$ 153,916	\$	\$
Total Short-term Debt	<u>\$ 153,916</u>	<u>\$ 0</u>	<u>\$ 153,916</u>	<u>\$ 0</u>	<u>\$ 0</u>



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

**Note 5. Long-term Debt**

**A. Direct Borrowings**

**1. Land Purchase**

The Meade County Fiscal Court agreed to purchase a 72.506 acre tract of land on April 6, 2015. The purchase price was \$400,000 with \$100,000 paid upon closing and annual payments due on or before July 1. There was no interest on this obligation. As of June 30, 2019, this obligation was paid in full.

**2. EMS Equipment**

The Meade County Fiscal Court agreed to purchase EMS equipment in the amount of \$189,775 during fiscal year ending June 30, 2017. The purchase required three annual payments in the amount of \$63,258. There was no interest on this obligation. As of June 30, 2019, this obligation was paid in full.

**B. General Obligation Bond, Series 2009 - Detention Facility**

The Meade County Fiscal Court issued general obligation bonds of \$3,090,000, series 2009, dated December 8, 2009, to advance refund the Meade County general obligation bonds (Detention Facility), Series 1999, dated July 1, 1999. The 2009 series bonds were issued at varying interest rates ranging from 2.5% to 3.50%, and will be retired by July 1, 2019. Interest payments are due January 1 and interest and principal due July 1. As of June 30, 2019, these bonds were paid in full.

**C. General Obligation Bonds, Refunding Series 2012 - Industrial Park Land**

The Meade County Fiscal Court issued general obligation bonds of \$5,750,000, Series 2012, dated March 29, 2012, to advance refund and retire the lease agreement between the Meade County Fiscal Court and the Kentucky Association of Counties Leasing Trust, dated March 16, 2006. The 2012 series bonds were issued at varying interest rates ranging from 1.125% to 2.70% and will be retired by May 1, 2026. Interest payments are due on May 1 and November 1 and principal is due May 1. Principal payment requirements and scheduled interest for the retirement of the bonds are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2020	\$ 325,000	\$ 69,295
2021	340,000	62,895
2022	345,000	54,770
2023	355,000	46,270
2024	365,000	28,770
2025-2026	755,000	30,040
Totals	<u>\$ 2,485,000</u>	<u>\$ 292,040</u>

**MEADE 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:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings:					
Land Purchase	\$ 100,000	\$	\$ 100,000	\$	\$
EMS Equipment	63,258		63,258		
General Obligation - 2009 Bond	350,000		350,000		
General Obligation - 2012 Bond	2,805,000		320,000	2,485,000	325,000
Total Long-term Debt	<u>\$ 3,318,258</u>	<u>\$ 0</u>	<u>\$ 833,258</u>	<u>\$ 2,485,000</u>	<u>\$ 325,000</u>

**Note 6. Commitment Debt**

**A. Wastewater and Sewer System Construction Loan - Kentucky Infrastructure Authority**

On January 1, 2010, the Meade County Riverport Authority entered into an agreement with the Kentucky Infrastructure Authority (KIA) in the amount of \$482,642 at 3.0% for the construction of a wastewater and sewer system on land owned by the Meade County Fiscal Court for business activity along the Ohio River. The revolving construction loan draws received by the Meade County Riverport Authority from KIA as of June 24, 2011, was \$482,642. The principal forgiveness on the loan totaled \$251,456, leaving \$231,186 as the amortized loan amount. The Meade County Fiscal Court is scheduled to remit the required principal and interest payments effective December 1, 2011. The loan term is 20 years with the balance to be paid in full on June 1, 2031. Per the agreement between the Meade County Fiscal Court and KIA, should the fiscal court default on payments, there are various remedies KIA may take against the fiscal court. The Meade County Fiscal Court paid principal of \$10,573 and interest of \$4,882 for the fiscal year ended June 30, 2019. The principal due on the revolving loan as of June 30, 2019 is \$154,792.

**B. Regional Port Authority Construction Loan - Kentucky Agricultural Development Board - Consolidated Grain & Barge Company**

On September 9, 2013, the Meade County Riverport Authority, as borrower and recipient, and the Meade County Fiscal Court, as the co-signor on the loan, entered into an agreement with the Kentucky Agricultural Development Board (KADB) in the amount of \$2,000,000 at 1% for the construction of a regional port facility, Consolidated Grain and Barge Co., along the Ohio River in Meade County. The cost reimbursement construction loan draws received by the Meade County Riverport Authority from KADB as of June 30, 2015, totaled \$2,000,000. The Meade County Riverport Authority shall not have to make any principal or interest payments during the first two years after the effective date of the loan agreement. Consolidated Grain and Barge Company remits base rent payments quarterly totaling \$110,000 a year to the Meade County Fiscal Court. The Meade County Fiscal Court is scheduled to remit the required principal and interest payments on the loan effective September 9, 2016. The loan term is for twenty years. Per the agreement between the Meade County Fiscal Court and the KADB, should the fiscal court default on payments of the loan, the board may elect to terminate the agreement and pursue any and all remedies afforded to it by law. The Meade County Fiscal Court paid principal of \$92,656 and interest of \$18,174 for the fiscal year ended June 30, 2019. The principal due on the revolving loan as of June 30, 2019, is \$1,724,774.

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

**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 2017 was \$727,658, FY 2018 was \$858,326, and FY 2019 was \$977,945.

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.

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:

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

**Note 7. Employee Retirement System (Continued)**

Other Post-Employment Benefits (OPEB) (Continued)

A. Health Insurance Coverage - Tier 1 (Continued)

<b>Years of Service</b>	<b>% Paid by Insurance Fund</b>	<b>% Paid by Member through Payroll Deduction</b>
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.

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.

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

**Note 7. Employee Retirement System (Continued)**

Other Post-Employment Benefits (OPEB) (Continued)

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 8. Deferred Compensation**

On June 5, 1990, the Meade 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.

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

**Note 9. Insurance**

For the fiscal year ended June 30, 2019, the Meade 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. Subsequent Events**

On July 20, 2019, the county entered into an agreement to finance a vehicle for the solid waste department. The amount was \$159,310 with an interest rate of 2.94% and is due on July 20, 2020.

**Note 11. 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.

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

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

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

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

	<b>GENERAL FUND</b>			
	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>RECEIPTS</b>				
Taxes	\$ 4,543,200	\$ 4,543,200	\$ 5,443,307	\$ 900,107
Excess Fees	186,525	186,525	385,935	199,410
Licenses and Permits	105,000	105,000	127,421	22,421
Intergovernmental	249,850	249,850	188,323	(61,527)
Charges for Services	1,111,500	1,111,500	1,256,874	145,374
Miscellaneous	129,000	129,000	227,103	98,103
Interest	3,500	3,500	43,533	40,033
Total Receipts	<u>6,328,575</u>	<u>6,328,575</u>	<u>7,672,496</u>	<u>1,343,921</u>
<b>DISBURSEMENTS</b>				
General Government	1,820,969	2,007,764	1,475,709	532,055
Protection to Persons and Property	2,433,900	2,241,300	1,677,450	563,850
General Health and Sanitation	114,480	115,580	95,758	19,822
Social Services	14,540	14,540	12,245	2,295
Recreation and Culture	324,900	330,105	238,817	91,288
Debt Service	680,000	680,000	615,907	64,093
Administration	2,152,524	2,152,524	1,686,293	466,231
Total Disbursements	<u>7,541,313</u>	<u>7,541,813</u>	<u>5,802,179</u>	<u>1,739,634</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,212,738)</u>	<u>(1,213,238)</u>	<u>1,870,317</u>	<u>3,083,555</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds			1,000	1,000
Transfers To Other Funds	<u>(1,463,750)</u>	<u>(1,463,750)</u>	<u>(759,325)</u>	<u>704,425</u>
Total Other Adjustments to Cash (Uses)	<u>(1,463,750)</u>	<u>(1,463,750)</u>	<u>(758,325)</u>	<u>705,425</u>
Net Change in Fund Balance	(2,676,488)	(2,676,988)	1,111,992	3,788,980
Fund Balance - Beginning	<u>2,676,488</u>	<u>2,676,488</u>	<u>8,697,703</u>	<u>6,021,215</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (500)</u>	<u>\$ 9,809,695</u>	<u>\$ 9,810,195</u>

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

	<b>ROAD FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 1,981,500	\$ 1,981,500	\$ 1,408,324	\$ (573,176)
Charges for Services	3,000	3,000	265	(2,735)
Miscellaneous	13,500	13,500	1,357	(12,143)
Interest	1,500	1,500	1,351	(149)
Total Receipts	<u>1,999,500</u>	<u>1,999,500</u>	<u>1,411,297</u>	<u>(588,203)</u>
<b>DISBURSEMENTS</b>				
Transportation Facilities and Services	3,000	2,500	361	2,139
Roads	2,350,000	2,350,500	1,798,782	551,718
Administration	296,500	296,500	245,409	51,091
Total Disbursements	<u>2,649,500</u>	<u>2,649,500</u>	<u>2,044,552</u>	<u>604,948</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(650,000)</u>	<u>(650,000)</u>	<u>(633,255)</u>	<u>16,745</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	200,000	200,000		(200,000)
Transfers To Other Funds			(1,000)	(1,000)
Total Other Adjustments to Cash (Uses)	<u>200,000</u>	<u>200,000</u>	<u>(1,000)</u>	<u>(201,000)</u>
Net Change in Fund Balance	(450,000)	(450,000)	(634,255)	(184,255)
Fund Balance - Beginning	<u>450,000</u>	<u>450,000</u>	<u>1,006,699</u>	<u>556,699</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 372,444</u>	<u>\$ 372,444</u>

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

	<b>JAIL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 2,155,325	\$ 2,155,325	\$ 2,400,213	\$ 244,888
Charges for Services	90,500	90,500	98,092	7,592
Miscellaneous	96,000	96,000	37,800	(58,200)
Interest	500	500	271	(229)
Total Receipts	<u>2,342,325</u>	<u>2,342,325</u>	<u>2,536,376</u>	<u>194,051</u>
<b>DISBURSEMENTS</b>				
General Government	5,200	5,200		5,200
Protection to Persons and Property	2,130,500	2,125,700	1,899,820	225,880
Debt Service	362,250	362,250	362,250	
Administration	656,500	661,300	579,825	81,475
Total Disbursements	<u>3,154,450</u>	<u>3,154,450</u>	<u>2,841,895</u>	<u>312,555</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(812,125)</u>	<u>(812,125)</u>	<u>(305,519)</u>	<u>506,606</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	400,000	400,000	359,325	(40,675)
Total Other Adjustments to Cash (Uses)	<u>400,000</u>	<u>400,000</u>	<u>359,325</u>	<u>(40,675)</u>
Net Change in Fund Balance	(412,125)	(412,125)	53,806	465,931
Fund Balance - Beginning	<u>412,125</u>	<u>412,125</u>	<u>205,893</u>	<u>(206,232)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 259,699</u>	<u>\$ 259,699</u>

**MEADE 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		
<b>RECEIPTS</b>				
Intergovernmental	\$ 368,000	\$ 368,000	\$ 571,574	\$ 203,574
Charges for Services	156,000	156,000	210,736	54,736
Interest	1,000	1,000	231	(769)
Total Receipts	<u>525,000</u>	<u>525,000</u>	<u>782,541</u>	<u>257,541</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	827,200	837,200	660,557	176,643
Administration	240,000	229,500	217,461	12,039
Total Disbursements	<u>1,067,200</u>	<u>1,066,700</u>	<u>878,018</u>	<u>188,682</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(542,200)</u>	<u>(541,700)</u>	<u>(95,477)</u>	<u>446,223</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	467,200	467,200	100,000	(367,200)
Total Other Adjustments to Cash (Uses)	<u>467,200</u>	<u>467,200</u>	<u>100,000</u>	<u>(367,200)</u>
Net Change in Fund Balance	(75,000)	(74,500)	4,523	79,023
Fund Balance - Beginning	<u>75,000</u>	<u>75,000</u>	<u>99,852</u>	<u>24,852</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 500</u>	<u>\$ 104,375</u>	<u>\$ 103,875</u>

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

	<b>SOLID WASTE FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 2,500	\$ 2,500	\$ 4,311	\$ 1,811
Intergovernmental	268,000	268,000	44,248	(223,752)
Charges for Services	243,500	243,500	296,770	53,270
Miscellaneous	490,600	490,600	329,841	(160,759)
Interest	200	200	232	32
Total Receipts	<u>1,004,800</u>	<u>1,004,800</u>	<u>675,402</u>	<u>(329,398)</u>
<b>DISBURSEMENTS</b>				
General Health and Sanitation	1,088,850	1,088,850	991,288	97,562
Debt Service	160,000	160,000	4,231	155,769
Capital Projects	40,000	40,000		40,000
Administration	212,500	212,500	163,376	49,124
Total Disbursements	<u>1,501,350</u>	<u>1,501,350</u>	<u>1,158,895</u>	<u>342,455</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(496,550)</u>	<u>(496,550)</u>	<u>(483,493)</u>	<u>13,057</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	<u>396,550</u>	<u>396,550</u>	<u>300,000</u>	<u>(96,550)</u>
Total Other Adjustments to Cash (Uses)	<u>396,550</u>	<u>396,550</u>	<u>300,000</u>	<u>(96,550)</u>
Net Change in Fund Balance	(100,000)	(100,000)	(183,493)	(83,493)
Fund Balance - Beginning	<u>100,000</u>	<u>100,000</u>	<u>265,292</u>	<u>165,292</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 81,799</u>	<u>\$ 81,799</u>

**MEADE 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.

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

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

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**MEADE 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 & Land Improvements	\$ 8,211,651	\$	\$	\$ 8,211,651
Buildings & Building Improvements	10,113,744			10,113,744
Vehicles	3,982,566	357,754		4,340,320
Machinery & Equipment	3,733,885	6,600		3,740,485
Infrastructure	8,448,910			8,448,910
 Total Capital Assets	 \$ 34,490,756	 \$ 364,354	 \$ 0	 \$34,855,110

**MEADE 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	\$ 5,000	10-60
Buildings and Building Improvements	\$ 5,000	3-75
Equipment	\$ 5,000	3-25
Vehicles	\$ 5,000	3-25
Infrastructure	\$ 5,000	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 Gerry Lynn, Meade County Judge/Executive  
Members of the Meade 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 Meade County Fiscal Court for the fiscal year ended June 30, 2019, and the related notes to the financial statement which collectively comprise the Meade County Fiscal Court's financial statement and have issued our report thereon dated February 14, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statement, we considered the Meade 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 Meade County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Meade 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 certain deficiencies in internal control that we consider to be material weaknesses.

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 deficiencies described in the accompanying Schedule of Findings and Responses as items 2019-001 and 2019-002 to be material weaknesses.



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 Meade County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2019-001.

**Views of Responsible Officials and Planned Corrective Action**

Meade 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

February 14, 2020

**MEADE COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES**

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

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**MEADE COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES**

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

FINANCIAL STATEMENT FINDINGS:

2019-001 The Meade County Fiscal Court Did Not Bid Expenditures Over \$20,000

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The Meade County Fiscal Court did not bid expenditures over \$20,000. Payments totaling \$356,377 to the jail food service provider were not bid. Payments totaling \$38,546 for fuel were not bid. Further, paving expenditures exceeded \$20,000 and were not bid. The treasurer stated that this was purchased under state price contract, however, the fiscal court did not maintain supporting state price master agreement documentation as evidence.

Internal controls were not in place to ensure all expenditures exceeding \$20,000 were bid and that sufficient documentation is maintained for purchases on state price contract. By limiting competition or not receiving bids at all, the fiscal court may not get the benefits of the best price available. Competitive bidding ensures the fiscal court procures equipment and services at the best price available. The fiscal court approved an ordinance for the county to adopt the Kentucky Model Procurement Code, KRS 45A.343 to 45A.460, which requires the county regarding project expenditures of \$20,000 or more, to either bid, use state price contract, or negotiate with a vendor. Maintaining proper bid documentation also ensures all bids are considered on an equal basis and ensures all bids meet the minimum specifications of the fiscal court.

We recommend the fiscal court follow proper bid laws and regulations by ensuring all purchases of \$20,000 or more be made in compliance with KRS 45A.343 to 45A.460. We further recommend the fiscal court maintain documentation for bids, state price contracts, or negotiations.

*County Judge/Executive's Response: Fiscal Court will follow proper bid laws and regulations on all purchases.*

*County Jailer's Response: The food vendor was the same when I took office in 2015, and I have continued to use the company. I was unaware the food provider contact needed to be placed out for bid. We will place this contract out for bid in the future.*

2019-002 The Meade County Detention Center Lacks Adequate Segregation Of Duties Over Receipts And Bank Reconciliations

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During review of controls over commissary/canteen receipts, we note the detention center deputy, who is also the commissary/canteen bookkeeper, receives funds for woodworking projects, fees from individuals on home incarceration wearing ankle sensors, and accounts for the cash received in the kiosks for booking, phones, and commissary/canteen purchases. She batches the receipts she issues for woodworking fees and home incarceration fees. She verifies the kiosk report to the cash she pulls from the kiosk machines. She records the receipts into the accounting system. She prepares the deposit ticket. She takes the deposit ticket to the bank. She prepares the bank account reconciliation.

The jailer did not have segregation of duties over receipts and bank reconciliations included in the internal control procedures for the detention center. The jailer stated that he has compensating controls in place, reviewing bank reconciliations and comparing deposit tickets to the ledger and to reports, however, he was not aware of the need to initial these documents in order to evidence his reviews. The lack of segregation of duties over financial reporting significantly increases the risk of financial misstatement due to error, waste, fraud, or abuse. A lack of adequate segregation of duties could result in undetected misappropriation of assets and inaccurate financial reporting.

**MEADE COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES  
For The Year Ended June 30, 2019  
(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2019-002 The Meade County Detention Center Lacks Adequate Segregation Of Duties Over Receipts And Bank Reconciliations (Continued)

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Good internal controls dictate the same employee should not handle, record, and reconcile receipts. The segregation of duties over various accounting functions such as opening mail, preparing deposits, recording receipts is essential for providing protection from asset misappropriation and inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities. If this is not feasible due to budgetary constraints, cross checking procedures could be implemented and documented by the individual performing the procedure.

We recommend the jailer adequately segregate the functions related to receipts and bank reconciliations. If that is not possible, we recommend the jailer, implement compensating controls with strong management oversight, by the reviewer signing or initialing reviewed documents.

*County Judge/Executive's Response: Please see Meade County Jailer Scarborough's response.*

*County Jailer's Response: After careful review of the auditor's findings, I do understand the importance of not just reviewing the bank statements, deposits, and other financial statements, and have begun providing proof that each transaction is reviewed by myself or another manager within the jail.*

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

**MEADE COUNTY FISCAL COURT**

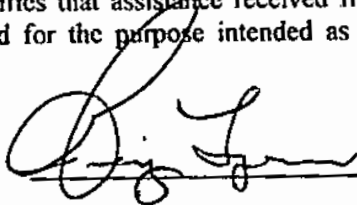
**For The Year Ended June 30, 2019**

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CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE  
COUNTY FISCAL COURT

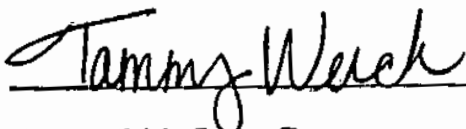
For The Year Ended June 30, 2019

The Meade 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.



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Gerry Lynn, County Judge/Executive



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Tammy Weick, County Treasurer