

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

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



**MIKE HARMON  
AUDITOR OF PUBLIC ACCOUNTS  
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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 Stephen B. Kelley, Jr., Pulaski County Judge/Executive  
Members of the Pulaski 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 Pulaski County Fiscal Court, for the year ended June 30, 2020, and the related notes to the financial statement which collectively comprise the Pulaski 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 Pulaski 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 Pulaski County Fiscal Court as of June 30, 2020, or changes in financial position or cash flows thereof for the year then ended.

### **Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statement referred to above presents fairly, in all material respects, the fund balances of the Pulaski County Fiscal Court as of June 30, 2020, and their respective cash receipts and disbursements, and budgetary results for the year then ended, in accordance with the basis of accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

### **Other Matters**

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of the Pulaski County Fiscal Court. The Budgetary Comparison Schedules and the Schedule of Expenditures of Federal Awards (supplementary information), as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Schedule of Capital Assets (other information) are presented for purposes of additional analysis and are not a required part of the financial statement; however, they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

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### **Other Matters (Continued)**

#### *Supplementary and Other Information (Continued)*

The accompanying Budgetary Comparison Schedules and Schedule of Expenditures of Federal Awards 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.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2021, on our consideration of the Pulaski 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 Pulaski 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 Questioned Costs included herein, which discusses the following report findings:

- 2020-001 The Pulaski County Fiscal Court Lacks Adequate Segregation Of Duties Over Cash, Receipts, And Reconciliations
- 2020-002 The Pulaski County Fiscal Court Lacks Adequate Controls Over Occupational Tax Receipts
- 2020-003 The Pulaski County Fiscal Court's Budget Was Not Prepared Or Reviewed As Required
- 2020-004 The Pulaski County Fiscal Court Did Not Correctly Record Interfund Transfers And Transfers Were Not Always Approved By The Fiscal Court
- 2020-005 The Pulaski County Fiscal Court Did Not Have Strong Internal Controls Over Disbursements
- 2020-006 The Pulaski County Fiscal Court Did Not Properly Disclose Debt Information On The Quarterly Financial Report
- 2020-007 The Pulaski County Fiscal Court's Bank Reconciliations Are Not Accurate
- 2020-008 The Pulaski County Fiscal Court Did Not Maintain Proper Records For The Public Properties Corporation Fund And General Obligation Bond Funds
- 2020-009 The Pulaski County Jailer Did Not Prepare Daily Checkout Sheets For All Revenue Received And Did Not Make Daily Deposits Intact
- 2020-010 The Pulaski County Jail Commissary Did Not Have Strong Internal Controls Over Disbursements

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**Other Reporting Required by *Government Auditing Standards* (Continued)**

- 2020-011 The Pulaski County Fiscal Court Declared An Emergency Budget Amendment For A Non-Emergency Situation
- 2020-012 The Pulaski County Fiscal Court Did Not Have A Pledge Agreement For Jail Commissary Funds
- 2020-013 The Pulaski County Fiscal Court Did Not Issue Purchase Orders On All Disbursements As Required
- 2020-014 The Pulaski County Fiscal Court Did Not Properly Budget And Include All Debt Activity In The Financial Statement
- 2020-015 The Pulaski County Fiscal Court Did Not Follow Proper Procurement Procedures For Purchases Over \$20,000
- 2020-016 The Pulaski County Fiscal Court Failed To Implement Internal Controls To Ensure Costs Submitted For Reimbursement Were For Eligible Expenses

Respectfully submitted,

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

Mike Harmon  
Auditor of Public Accounts

June 9, 2021



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

Stephen B. Kelley, Jr.	County Judge/Executive
Mike Strunk	Magistrate
Mike Wilson	Magistrate
Jason Turpen	Magistrate
Jimmy Wheeldon	Magistrate
Mark Ranshaw	Magistrate

**Other Elected Officials:**

Martin L. Hatfield	County Attorney
Anthony McCollum	Jailer
Linda Burnett	County Clerk
J.S. Flynn	Circuit Court Clerk
Greg Speck	Sheriff
T.W. Todd	Property Valuation Administrator
Clyde Strunk	Coroner

**Appointed Personnel:**

Dan Price	Deputy Judge/Executive
Joan Isaacs	County Treasurer
Joan Isaacs	Occupational Tax Collector
Ross Corder	Finance Officer

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

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

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

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

	<b>Budgeted Funds</b>		
	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>
<b>RECEIPTS</b>			
Taxes	\$ 12,635,988	\$	\$
In Lieu Tax Payments	180,221		
Excess Fees	887,628	51,746	
Licenses and Permits	152,144		
Intergovernmental	1,637,488	4,990,908	2,912,999
Charges for Services	329,580		119,727
Miscellaneous	253,733	69,279	145,282
Interest	30,258	7,090	1,987
Total Receipts	<u>16,107,040</u>	<u>5,119,023</u>	<u>3,179,995</u>
<b>DISBURSEMENTS</b>			
General Government	6,670,099		
Protection to Persons and Property	1,366,113		3,401,791
General Health and Sanitation	1,507,882		
Social Services	27,000		
Recreation and Culture	482,458		
Roads		4,993,601	
Airports	100,000		
Debt Service	1,373,183	620,313	
Capital Projects	2,140,034	649,369	
Administration	1,414,679	718,616	1,243,242
Total Disbursements	<u>15,081,448</u>	<u>6,981,899</u>	<u>4,645,033</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>1,025,592</u>	<u>(1,862,876)</u>	<u>(1,465,038)</u>
<b>Other Adjustments to Cash (Uses)</b>			
Bond Proceeds	5,025,000		
Net Premium on Bond Issue	52,201		
Financing Obligation Proceeds	525,000	549,364	
Transfers From Other Funds	1,293,759	1,835,000	1,375,000
Transfers To Other Funds	(4,740,000)	(50,000)	
Total Other Adjustments to Cash (Uses)	<u>2,155,960</u>	<u>2,334,364</u>	<u>1,375,000</u>
Net Change in Fund Balance	3,181,552	471,488	(90,038)
Fund Balance - Beginning (Restated)	723,748	140,526	213,987
Fund Balance - Ending	<u>\$ 3,905,300</u>	<u>\$ 612,014</u>	<u>\$ 123,949</u>
<b>Composition of Fund Balance</b>			
Bank Balance	\$ 4,041,467	\$ 724,034	\$ 186,909
Plus: Deposits In Transit		8,460	8
Due From Grant Fund	153,046		
Less: Outstanding Checks	(289,213)	(120,480)	(62,968)
Due To General Fund			
Fund Balance - Ending	<u>\$ 3,905,300</u>	<u>\$ 612,014</u>	<u>\$ 123,949</u>

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

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

<b>Budgeted Funds</b>				
<b>Local Government Economic Assistance Fund</b>	<b>Grant Fund</b>	<b>Fire Fund</b>	<b>Industrial Development Fund</b>	<b>911 Fund</b>
\$	\$	\$ 3,922,560	\$	\$
420,941	425,000	48,025		280,018
		23,431		
1,016		11,203	310	1,533
<u>421,957</u>	<u>425,000</u>	<u>4,005,219</u>	<u>310</u>	<u>281,551</u>
20,000			2,145	
8,500		2,049,570		1,143,643
60,461				
146,385				
76,543				
		284,769		54,259
	425,000	746,858		22,194
		132,300		599,853
<u>311,889</u>	<u>425,000</u>	<u>3,213,497</u>	<u>2,145</u>	<u>1,819,949</u>
110,068		791,722	(1,835)	(1,538,398)
				1,530,000
		(1,100,000)	(111,964)	(31,795)
		(1,100,000)	(111,964)	1,498,205
110,068		(308,278)	(113,799)	(40,193)
28,279	57,002	1,171,437	113,799	151,572
<u>\$ 138,347</u>	<u>\$ 57,002</u>	<u>\$ 863,159</u>	<u>\$ 0</u>	<u>\$ 111,379</u>
\$ 177,132	\$ 210,048	\$ 1,232,518	\$	\$ 118,338
				1,391
(38,785)		(369,359)		(8,350)
	(153,046)			
<u>\$ 138,347</u>	<u>\$ 57,002</u>	<u>\$ 863,159</u>	<u>\$ 0</u>	<u>\$ 111,379</u>

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

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

	<u>Unbudgeted Funds</u>		
	<u>Public Properties Corporation Fund</u>	<u>Jail Commissary Fund</u>	<u>Total Funds</u>
<b>RECEIPTS</b>			
Taxes	\$	\$	\$ 16,558,548
In Lieu Tax Payments			180,221
Excess Fees			939,374
Licenses and Permits			152,144
Intergovernmental	1,725,251		12,392,605
Charges for Services			497,332
Miscellaneous		1,124,759	1,616,484
Interest	1,617		55,014
Total Receipts	<u>1,726,868</u>	<u>1,124,759</u>	<u>32,391,722</u>
<b>DISBURSEMENTS</b>			
General Government			6,692,244
Protection to Persons and Property			7,969,617
General Health and Sanitation			1,507,882
Social Services			87,461
Recreation and Culture		564,328	1,193,171
Roads			5,070,144
Airports			100,000
Debt Service	1,720,851		4,053,375
Capital Projects			3,983,455
Administration	131,589		4,240,279
Total Disbursements	<u>1,852,440</u>	<u>564,328</u>	<u>34,897,628</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(125,572)</u>	<u>560,431</u>	<u>(2,505,906)</u>
<b>Other Adjustments to Cash (Uses)</b>			
Bond Proceeds			5,025,000
Net Premium on Bond Issue			52,201
Financing Obligation Proceeds			1,074,364
Transfers From Other Funds			6,033,759
Transfers To Other Funds			<u>(6,033,759)</u>
Total Other Adjustments to Cash (Uses)			<u>6,151,565</u>
Net Change in Fund Balance	(125,572)	560,431	3,645,659
Fund Balance - Beginning (Restated)	131,940	251,101	2,983,391
Fund Balance - Ending	<u>\$ 6,368</u>	<u>\$ 811,532</u>	<u>\$ 6,629,050</u>
<b>Composition of Fund Balance</b>			
Bank Balance	\$ 6,368	\$ 428,393	\$ 7,125,207
Plus: Deposits In Transit		387,904	397,763
Due From Grant Fund			153,046
Less: Outstanding Checks		(4,765)	(893,920)
Due To General Fund			<u>(153,046)</u>
Fund Balance - Ending	<u>\$ 6,368</u>	<u>\$ 811,532</u>	<u>\$ 6,629,050</u>

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

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TO THE FINANCIAL STATEMENT**

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**PULASKI COUNTY  
NOTES TO FINANCIAL STATEMENT**

**June 30, 2020**

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

**A. Reporting Entity**

The financial statement of Pulaski County includes all budgeted and unbudgeted funds under the control of the Pulaski 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 Somerset-Pulaski County Airport Board 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, it is no longer a required component of the reporting entity. Audits of this entity can be obtained from the Pulaski County Fiscal Court, P.O. Box 712, Somerset, Kentucky 42502.

**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.

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

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

**C. Basis of Presentation (Continued)**

**Budgeted Funds (Continued)**

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

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

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

Grant Fund - The primary purpose of this fund is to account for grant expenses of the county. The primary source of receipts for this fund is federal and state grants.

Fire Fund - The primary purpose of this fund is to account for fire protection expenses, purchases of buildings and fire equipment of the county, including annual allotment payments and expenses of the various county fire departments, and the expenses of the Hal Rogers Fire Training Center. The primary source of receipts for this fund is fire insurance premium tax.

Industrial Development Fund - The primary purpose of this fund is to promote the industrial development of the county. The primary source of receipts for this fund is occupational tax.

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.

**Unbudgeted Funds**

The fiscal court reports the following unbudgeted funds:

Public Properties Corporation Fund - The primary purpose of this fund is to account for the proceeds and debt service of revenue bonds that were issued to fund construction of public buildings.

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.



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

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

**D. Budgetary Information**

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

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

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

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

The state local finance officer does not require the public properties corporation fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually.

**E. Pulaski County Elected Officials**

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

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

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

**F. Deposits and Investments (Continued)**

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

**G. Long-term Obligations**

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

**H. Related Obligations**

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

Southeastern Water Association  
 Western Pulaski County Water District  
 Pulaski County Solid Waste Board

**Note 2. Deposits**

The fiscal court maintained deposits of public funds with federally insured banking institutions as required by the Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual*. The DLG Manual strongly recommends perfected pledges of securities covering all public funds except direct federal obligations and funds protected by federal insurance. In order to be perfected in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the fiscal court and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were not met, as the fiscal court did not have a written agreement with one bank.

**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 fiscal court does not have a deposit policy for custodial credit risk but rather follows the requirements of the DLG *County Budget Preparation and State Local Finance Officer Policy Manual*. On June 30, 2020, the fiscal court's bank balance was exposed to custodial credit risk as follows:

- Uncollateralized and Uninsured      \$194,746

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

**Note 3. Transfers**

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

	General Fund	Road Fund	Fire Fund	Industrial Development	911 Fund	Total Transfers In
General Fund	\$	\$ 50,000	\$ 1,100,000	\$ 111,964	\$ 31,795	\$ 1,293,759
Road Fund	1,835,000					1,835,000
Jail Fund	1,375,000					1,375,000
911 Fund	1,530,000					1,530,000
Total Transfers Out	<u>\$ 4,740,000</u>	<u>\$ 50,000</u>	<u>\$ 1,100,000</u>	<u>\$ 111,964</u>	<u>\$ 31,795</u>	<u>\$ 6,033,759</u>

Reason for transfers:

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

**Note 4. Custodial Funds**

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

The fiscal court has the following custodial fund:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2020 was \$18,303.

**Note 5. Short-term Debt**

**A. Direct Borrowings**

On September 10, 2019, the Pulaski County Fiscal Court entered into an agreement with a local bank for the purpose of purchasing a building. The principal was \$525,000 at a fixed rate of 4.5 percent. The principal was due on January 10, 2020. The loan was paid in full on October 31, 2019.

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

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings	\$	\$ 525,000	\$ 525,000	\$	\$
Total Short-term Debt	<u>\$ 0</u>	<u>\$ 525,000</u>	<u>\$ 525,000</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

**Note 6. Long-term Debt**

**A. Direct Borrowings and Direct Placements**

**1. Taxable General Obligation Lease, Series 2013 - EMS Equipment**

On June 19, 2013, the Pulaski County Fiscal Court entered into an agreement with a local bank for the purchase of EMS equipment. The principal was \$575,000 at 3.42 percent for a period of eight years. Semiannual interest payments are due on December 1 and June 1 of each year. Principal is due annually on June 1.

Whenever any event of default has occurred and is continuing, the lessor may, without any further demand or notice, take one or any combination of the following remedial steps:

- (a) by appropriate court action, enforce the pledge set forth in section S(F) of the ordinance and section 11 of this lease so that during the remaining lease term there is levied on all the taxable property in the lessee, in addition to all other taxes, without limitation as to the rate or amount, a direct tax annually in an amount sufficient to pay the lease rental payments when and as due;
- (b) sell or re-lease the facility or any portion thereof; or
- (c) take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the facility under this lease (including, without limitation, the right to possession of the facility and the right to sell or re-lease or otherwise dispose of the facility in accordance with applicable law), and/or take whatever action at law or in equity may appear necessary or desirable to enforce performance by the lessee of the applicable covenants and agreements of the lessee under this lease (subject, however, to the limitations thereon contained in this lease) and to recover damages for the breach thereof.

The principal outstanding as of June 30, 2020, was \$30,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 30,000	\$ 1,026
Totals	\$ 30,000	\$ 1,026

**2. General Obligation Refunding Lease, Series 2013 - Fire Trucks**

On August 17, 2013, the Pulaski County Fiscal Court entered into an agreement with a local bank for a general obligation refunding lease for the purchase of fire trucks. The principal was \$2,290,547 at 2.31 percent interest for a period of eight years. The agreement requires monthly payments of principal and interest beginning September 1, 2013.

Whenever any event of default has occurred and is continuing, the lessor may, without any further demand or notice, take one or any combination of the following remedial steps:

- (a) by appropriate court action, enforce the pledge set forth in section 4(f) of the ordinance and section 11 of this lease so that during the remaining lease term there is levied on all the taxable property within the county, in addition to all other taxes, without limitation as to the rate or amount, a direct tax annually in an amount sufficient to pay the lease rental payments when and as due;
- (b) sell or re-lease the Equipment or any portion thereof; or

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

**Note 6. Long-term Debt (Continued)**

**A. Direct Borrowings and Direct Placements (Continued)**

**2. General Obligation Refunding Lease, Series 2013 - Fire Trucks (Continued)**

- (c) take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the equipment under this lease (including, without limitation, the right to possession or "the equipment and the right to sell or re-lease or otherwise dispose of the equipment in accordance with applicable law), and/or take whatever action at law or in equity may appear necessary or desirable to enforce performance by the lessee of the applicable covenants and agreements of the lessee under this lease (subject, however, to the limitations thereon contained in this lease) and to recover damages for the breach thereof.

The principal outstanding as of June 30, 2020, was \$382,405. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 305,039	\$ 5,617
2022	<u>77,366</u>	<u>298</u>
Totals	<u>\$ 382,405</u>	<u>\$ 5,915</u>

**3. 911 Project**

On December 23, 2013, the Pulaski County Fiscal Court entered into an agreement with Kentucky Association of Counties Leasing Trust Program for the purchase of 911 equipment. The principal was \$730,000 at a variable rate from three percent to 4.4 percent interest for a period of 20 years. The agreement requires monthly payments of principal and interest.

Whenever any event of default has occurred and is continuing, the lessor may, without any further demand or notice, take one or any combination of the following remedial steps:

- (a) By appropriate court action, enforce the pledge set forth in section 2 of the ordinance and section 11 of this lease so that during the remaining lease term there is levied on all the taxable property in the lessee, in addition to all other taxes, without limitation as to the rate or amount, a direct tax annually in an amount sufficient to pay the lease rental payments when and as due;;
- (b) take legal title to, and sell or re-lease the project or any portion thereof;
- (c) take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the project under this lease (including, without limitation, the right to possession of the project and the right to sell or re-lease or otherwise dispose of the project in accordance with applicable law); and/or take whatever action at law or in equity may appear necessary or desirable to enforce performance by the lessee of the applicable covenants and agreements of the lessee under this lease ( subject, however, to the limitations thereon contained in this lease) and to recover damages for the breach thereof.

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

**Note 6. Long-term Debt (Continued)**

**A. Direct Borrowings and Direct Placements (Continued)**

**3. 911 Project (Continued)**

The lessee will remain liable for all covenants and obligations under this lease, and for all legal fees and other costs and expenses, including court costs awarded by a court of competent jurisdiction, incurred by the lessor with respect to the enforcement of any of the remedies under this lease, when a court of competent jurisdiction has finally adjudicated that an event of default has occurred. The principal outstanding as of June 30, 2020, was \$547,500. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 32,083	\$ 23,284
2022	35,000	22,241
2023	35,000	21,104
2024	35,000	19,893
2025	35,000	18,581
2026-2030	204,167	69,192
2031-2034	171,250	20,252
Totals	<u>\$ 547,500</u>	<u>\$ 194,547</u>

**4. General Obligation Lease**

On October 6, 2016, the Pulaski County Fiscal Court entered into an agreement with a local bank for a general obligation lease for the purpose of road improvements, land acquisition and improvement, and acquisition of ambulances. The principal was \$1,332,000 at 1.99 percent interest for a period of ten years. The agreement requires payments of interest due March 1 and September 1, and the principal is due annually on September 1.

Upon the occurrence of an event of default, and as long as the event of default is continuing, lessor may, at its option, exercise any one or more of the following remedies as to the project, to whichever the event of default pertains:

- (a) By appropriate court action, enforce the pledge set forth in section 4 of the Ordinance and section 9 of this lease so that during the remaining lease term there is levied on all the taxable property in the county, in addition to all other taxes, without limitation as to rate, a direct tax annually in an amount sufficient to pay the lease rental payments when and as due;
- (b) By written notice to lessee, enter and take immediate possession of the project; and
- (c) Exercise any other right, remedy or privilege which may be available to it under the applicable laws of the Commonwealth or any other applicable law or proceed by appropriate court action to enforce the terms of this lease or to recover damages for the breach of this lease or to rescind this lease as to any or all of the project.

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

**Note 6. Long-term Debt (Continued)**

**A. Direct Borrowings and Direct Placements (Continued)**

**4. General Obligation Lease (Continued)**

Lessee will remain liable for all covenants and obligations under this lease, and for all legal fees and other costs and expenses, including court costs awarded by a court of competent jurisdiction, incurred by lessor with respect to the enforcement of any of the remedies under this lease, when a court of competent jurisdiction has finally adjudicated that an event of default has occurred and enforced the remedies set forth in this section; provided that the remedies set forth in clauses (a), (b) and (c) of this section shall only be available for an event of default described in section I 8(a) and any satisfaction of lease rental payments as a result of actions taken under clauses (b) and (c) of this section shall reduce the amount of the direct annual tax required to be levied under clause (a) of this section. The principal outstanding as of June 30, 2020, was \$959,845. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 129,072	\$ 17,817
2022	131,666	15,222
2023	134,313	12,576
2024	137,012	9,876
2025	139,766	7,122
2026-2027	<u>288,016</u>	<u>5,760</u>
Totals	<u>\$ 959,845</u>	<u>\$ 68,373</u>

**5. Solid Waste Truck**

On February 8, 2019, the Pulaski County Fiscal Court entered into an 18-month agreement with Kentucky Association of Counties Leasing Trust Program for the purchase of a solid waste vehicle. The principal was \$112,498 at an interest rate of 4.4%. The agreement required monthly payments of interest and one principal payment due August 20, 2020. The principal outstanding as of June 30, 2020, was \$0.

**6. Road Equipment - Tractors**

On April 19, 2019, the Pulaski County Fiscal Court entered into a three year agreement for the purchase of five tractors for the road department. The principal was \$722,866 at an interest rate of 4.19%. The agreement requires monthly payments of principal and interest.

An "event of default" will occur if lessee (a) fails to pay any payment when due and such failure continues for ten (10) days after the due date for such payment or (b) fails to perform or observe any other covenant, condition, or agreement to be performed or observed by the lessee under this agreement and such failure is not cured within 20 days after written notice of such failure from the lessor. Upon an event of default, the lessor will have all rights and remedies available under applicable law. In addition, the lessor may declare all lease payments due or to become due during the fiscal year in which the event of default occurs to be immediately

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

**Note 6. Long-term Debt (Continued)**

**A. Direct Borrowings and Direct Placements (Continued)**

**6. Road Equipment - Tractors (Continued)**

due and payable by the lessee and/or the lessor may repossess the units by giving the lessee written notice to deliver the units to the lessor in the manner provided in section 14, or in the event the lessee fail to do so within ten days after receipt of such notice, and subject to all applicable laws, the lessor may enter upon your premises and take possession of the units. Further, if the lessor financed obligations under any extended warranty agreement such as an equipment protection plan, extended service contract, extended warranty, customer service agreement, total maintenance and repair agreement or similar agreement, the lessor may cancel such extended warranty agreement on the lessee's behalf and receive the refund of the extended warranty agreement fees that was financed but had not received as of the date of the event of default.

The principal outstanding as of June 30, 2020, was \$517,002. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 165,791	\$ 19,231
2022	<u>351,211</u>	<u>12,357</u>
Totals	<u>\$ 517,002</u>	<u>\$ 31,588</u>

**7. Road Equipment - Tractor**

On April 19, 2019, the Pulaski County Fiscal Court entered into a three year agreement for the purchase of a tractor for the road department. The principal was \$87,964 at an interest rate of 4.19%. The agreement requires monthly payments of principal and interest.

An "event of default" will occur if lessee (a) fails to pay any payment when due and such failure continues for ten days after the due date for such payment or (b) fails to perform or observe any other covenant, condition, or agreement to be performed or observed by the lessee under this agreement and such failure is not cured within 20 days after written notice of such failure from the lessor. Upon an event of default, the lessor will have all rights and remedies available under applicable law. In addition, the lessor may declare all lease payments due or to become due during the fiscal year in which the event of default occurs to be immediately due and payable by the lessee and/or the lessor may repossess the units by giving the lessee written notice to deliver the units to the lessor in the manner provided in section 14, or in the event the lessee fail to do so within ten days after receipt of such notice, and subject to all applicable laws, the lessor may enter upon your premises and take possession of the units. Further, if the lessor financed obligations under any extended warranty agreement such as an equipment protection plan, extended service contract, extended warranty, customer service agreement, total maintenance and repair agreement or similar agreement, the lessor may cancel such extended warranty agreement on the lessee's behalf and receive the refund of the extended warranty agreement fees that was financed but had not received as of the date of the event of default.



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

**Note 6. Long-term Debt (Continued)**

**A. Direct Borrowings and Direct Placements (Continued)**

**7. Road Equipment – Tractor (Continued)**

The principal outstanding as of June 30, 2020, was \$64,845. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 18,547	\$ 2,448
2022	46,298	1,688
Totals	<u>\$ 64,845</u>	<u>\$ 4,136</u>

**8. Road Equipment**

On August 21, 2018, the Pulaski County Fiscal Court entered into an 18 month agreement with the Kentucky Association of Counties Leasing Trust Program for the purchase of two road vehicles. The principal was \$283,844 at an interest rate of 4.15%. The agreement requires monthly payments of interest and one principal payment due February 20, 2020. The principal outstanding as of June 30, 2020, was \$0.

**9. Trucks**

On December 12, 2019, the Pulaski County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program for the purchase of four trucks for the road department. The principal was \$549,364 at an interest rate of 4.22%. The agreement requires monthly payments of interest and one principal payment due June 20, 2021.

Whenever any event of default has occurred and is continuing, the Lessor may, without any further demand or notice, take one or any combination of the following remedial steps:

- (a) By appropriate court action, enforce the pledge set forth in section 2 of the ordinance and section 11 of this lease so that during the remaining lease term there is levied on all the taxable property in the lessee, in addition to all other taxes, without limitation as to the rate or amount, a direct tax annually in an amount sufficient to pay the lease rental payments when and as due;
- (b) take legal title to, and sell or re-lease the project or any portion thereof;
- (c) take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the project under this lease (including, without limitation, the right to possession of the project and the right to sell or re-lease or otherwise dispose of the project in accordance with applicable law); and/or take whatever action at law or in equity may appear necessary or desirable to enforce performance by the lessee of the applicable covenants and agreements of the lessee under this lease ( subject, however, to the limitations thereon contained in this lease) and to recover damages for the breach thereof.

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

**Note 6. Long-term Debt (Continued)**

**A. Direct Borrowings and Direct Placements (Continued)**

**9. Trucks (Continued)**

The lessee will remain liable for all covenants and obligations under this lease, and for all legal fees and other costs and expenses, including court costs awarded by a court of competent jurisdiction, incurred by the lessor with respect to the enforcement of any of the remedies under this lease, when a court of competent jurisdiction has finally adjudicated that an event of default has occurred. The principal outstanding as of June 30, 2020, was \$549,364.

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 549,364	\$ 23,505
Totals	<u>\$ 549,364</u>	<u>\$ 23,505</u>

**B. Other Debt**

**1. First Mortgage Revenue Bonds, Series 2008**

In December 2008, the Pulaski County Kentucky, Public Properties Corporation issued \$14,205,000 in First Mortgage Revenue Bonds, Series 2008, for the construction of a new judicial center facility for lease to the Administrative Office of the Courts. Semiannual interest payments at a variable rate from 3.5 percent to 6.0 percent are due on December 1 and June 1 of each year. Principal is due annually on December 1. During 2015, First Mortgage Refunding Revenue Bonds, Series 2015, was issued as partial advance refunding of First Mortgage Revenue Bonds, Series 2008. Therefore, the defeased portion of the bonds matures in fiscal year 2021. The principal outstanding as of June 30, 2020, was \$730,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 730,000	\$ 18,706
Totals	<u>\$ 730,000</u>	<u>\$ 18,706</u>

**2. First Mortgage Revenue Bonds, Series 2009**

In January 2009, the Pulaski County Kentucky, Public Properties Corporation issued \$9,500,000 in First Mortgage Revenue Bonds, Series 2009, for the construction of a new judicial center facility for lease to the Administrative Office of the Courts. Semiannual interest payments at a variable rate from 3.5 percent to 4.875 percent are due on December 1 and June 1 of each year. Principal is due annually on December 1. The bonds mature in 2020. The principal outstanding as of June 30, 2020, was \$0.

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

**Note 6. Long-term Debt (Continued)**

**B. Other Debt (Continued)**

**3. First Mortgage Refunding Revenue Bonds, Series 2015**

In July 2015, the Pulaski County Kentucky, Public Properties Corporation issued \$8,655,000 in First Mortgage Refunding Revenue Bonds, Series 2015, for the purpose of partial advance refunding of the First Mortgage Revenue Bonds, Series 2008. Annual interest payments at a variable rate from 2 percent to 3.375 percent are due on June 30 of each year. Principal is due annually on June 30, beginning December 1, 2019. The bonds mature in 2029.

- (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:
  - (a) 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 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;
  - (b) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the owners of the bonds, including the right to require the corporation to enforce fully the lease and to charge, collect and fully account for the pledged receipts, and to require the corporation to carry out any end all other covenants or agreements with the bondholders and to perform its duties under the act;
  - (c) by bringing suit upon the bonds;
  - (d) by action or suit in equity, require the corporation to account as if it were the trustee of an express trust for the owners of the bonds;
  - (e) by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the owners of the bonds;
  - (f) 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 25% in a principal amount or the outstanding bonds, by annulling such declaration and its consequences; and
  - (g) in the event that all bonds are declared due and payable, by selling investment obligations of the corporation to the extent not theretofore set aside for redemption of the bonds for which call has been made), and enforcing all chooses in action of the corporation to the fullest legal extent in the name of the corporation for the use and benefit of the owners of the bonds.

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

**Note 6. Long-term Debt (Continued)**

**B. Other Debt (Continued)**

**3. First Mortgage Refunding Revenue Bonds, Series 2015 (Continued)**

- (2) In the enforcement of any rights and remedies under the mortgage, the trustee shall be entitled to sue for, enforce payment on and receive any and all amounts then or during any default becoming, and at any time remaining, due from the corporation for principal, interest or otherwise, under any provision of the mortgage or of the bonds, and unpaid, with interest on overdue payments at the rate or rates of interest specified in the bonds, together with any and all costs and expenses of collection and of all proceedings hereunder and under the bonds, without prejudice to any other right or remedy of the trustee or of the bondholders, and to recover and enforce a judgment or decree against the corporation for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect from any moneys available for such purpose, in any manner provided by law, the moneys adjudged or decreed to be payable.

The principal outstanding as of June 30, 2020, was \$8,455,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 180,000	\$ 247,262
2022	935,000	235,528
2023	960,000	215,394
2024	980,000	190,494
2025	1,015,000	160,569
2026-2029	4,385,000	299,309
Totals	<u>\$ 8,455,000</u>	<u>\$ 1,348,556</u>

**4. First Mortgage Refunding Revenue Bonds, Series 2017**

In March 2017, the Pulaski County Kentucky, Public Properties Corporation issued \$5,868,011 in First Mortgage Refunding Revenue Bonds, Series 2017, for the purpose of partial advance refunding of the First Mortgage Revenue Bonds, Series 2009. Annual interest payments at a rate of 2.25 percent are due on December 1 and June 1 of each year. Principal is due annually on June 1.

The bonds mature in 2029. The principal outstanding as of June 30, 2020, was \$5,868,011. Future principal and interest requirements are:

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

**Note 6. Long-term Debt (Continued)**

**B. Other Debt (Continued)**

**4. First Mortgage Refunding Revenue Bonds, Series 2017 (Continued)**

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 442,587	\$ 127,051
2022	628,861	114,997
2023	639,926	100,723
2024	654,744	86,159
2025	668,116	71,276
2026-2029	<u>2,833,777</u>	<u>129,230</u>
Totals	<u>\$ 5,868,011</u>	<u>\$ 629,436</u>

**5. General Obligation Improvement Bonds, Series 2013A**

In May 2013, the Pulaski County Fiscal Court issued \$2,135,000 in General Obligation Improvement Bonds, Series 2013A, for the construction of a new senior citizens center. Semiannual interest payments at a variable rate from 2.5 percent to 3.5 percent are due on December 1 and June 1 of each year. Principal is due annually on June 1, beginning June 1, 2021.

The bonds constitute valid obligations of the Issuer in accordance with their terms, which unless paid from other sources, are payable from taxes to be levied by the Issuer without limitation as to rate and amount.

The bonds mature in 2033. The principal outstanding as of June 30, 2020, was \$2,135,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 115,000	\$ 64,919
2022	95,000	62,044
2023	150,000	59,669
2024	155,000	55,919
2025	160,000	51,850
2026-2030	870,000	187,037
2031-2033	<u>590,000</u>	<u>41,587</u>
Totals	<u>\$ 2,135,000</u>	<u>\$ 523,025</u>

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

**Note 6. Long-term Debt (Continued)**

**B. Other Debt (Continued)**

**6. General Obligation Bonds, Series 2016**

In June 2016, the Pulaski County Fiscal Court issued \$5,000,000 in General Obligation Improvement Bonds, Series 2016, for the energy project for the courthouse. Semiannual interest payments at a variable rate from 2.5 percent to 3.5 percent are due on December 1 and June 1 of each year. Principal is due annually on December 1. The bonds mature in 2032.

The bonds constitute valid obligations of the issuer in accordance with their terms, which unless paid from other sources, are payable from taxes to be levied by the Issuer without limitation as to rate and amount.

The principal outstanding as of June 30, 2020, was \$4,165,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 295,000	\$ 108,300
2022	305,000	99,300
2023	310,000	90,075
2024	320,000	80,625
2025	335,000	70,800
2026-2030	1,810,000	209,788
2031-2032	790,000	19,875
Totals	<u>\$ 4,165,000</u>	<u>\$ 678,763</u>

**7. General Obligation Bonds, Series 2019**

In March 2020, the Pulaski County Fiscal Court issued \$5,025,000 in General Obligation Improvement Bonds, Series 2019, for infrastructure improvements and related costs. Semiannual interest payments at a variable rate from 2 percent to 5 percent are due on March 1 and September 1 of each year. Principal is due annually on September 1. The bonds mature in 2040.

The bonds constitute valid obligations of the issuer in accordance with their terms, which unless paid from other sources, are payable from taxes to be levied by the issuer without limitation as to rate and amount.

The principal outstanding as of June 30, 2020, was \$5,025,000. Future principal and interest requirements are:

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

**Note 6. Long-term Debt (Continued)**

**B. Other Debt (Continued)**

**7. General Obligation Bonds, Series 2019 (Continued)**

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 175,000	\$ 149,612
2022	180,000	140,738
2023	190,000	131,487
2024	200,000	121,738
2025	210,000	111,487
2026-2030	1,200,000	417,338
2031-2035	1,350,000	268,662
2036-2040	1,520,000	98,494
Totals	<u>\$ 5,025,000</u>	<u>\$ 1,439,556</u>

**C. Aggregate Debt Schedules**

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

Fiscal Year Ended June 30	Other Debt		Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
2021	\$ 1,937,587	\$ 715,850	\$ 1,229,896	\$ 92,928
2022	2,143,861	652,607	641,541	51,806
2023	2,249,926	597,348	169,313	33,680
2024	2,309,744	534,935	172,012	29,769
2025	2,388,116	465,982	174,766	25,703
2026-2030	11,098,777	1,242,702	492,183	74,952
2031-2035	2,730,000	330,124	171,250	20,252
2036-2040	1,520,000	98,494		
	<u>\$ 26,378,011</u>	<u>\$ 4,638,042</u>	<u>\$ 3,050,961</u>	<u>\$ 329,090</u>

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

**Note 6. Long-term Debt (Continued)**

**D. Changes In Long-term Debt**

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	\$ 3,660,028	\$ 549,364	\$1,158,430	\$ 3,050,962	\$ 1,229,896
General Obligation Bonds	6,590,000	5,025,000	290,000	11,325,000	585,000
Revenue Bonds	16,328,011		1,275,000	15,053,011	1,352,587
Total Long-term Debt	<u>\$ 26,578,039</u>	<u>\$ 5,574,364</u>	<u>\$ 2,723,430</u>	<u>\$ 29,428,973</u>	<u>\$ 3,167,483</u>

**Note 7. Commitments and Contingencies**

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

**Note 8. Conduit Debt**

From time to time the county has issued bonds to provide financial assistance to East Kentucky Power Cooperative, Inc., 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 Pulaski 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. As of June 30, 2020, conduit debt has been issued but the amount currently outstanding is not reasonably determinable.

**Note 9. Employee Retirement System**

The fiscal court has elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which is administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). This is a cost-sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute.

The county's contribution for FY 2018 was \$2,092,913, FY 2019 was \$2,492,228, and FY 2020 was \$2,566,762.



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

**Note 9. Employee Retirement System (Continued)**

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 24.06 percent.

Hazardous

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008, are required to contribute 9 percent of their salary to be allocated as follows: 8 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. Hazardous members contribute 8 percent of their annual creditable compensation and 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 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 hazardous member's account is credited with a 7.5 percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

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

**Note 9. Employee Retirement System (Continued)**

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008, aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

The county's contribution rate for hazardous employees was 39.58 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:

<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.

Hazardous employees whose participation began on or after July 1, 2003, earn 15 dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, the employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. 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.

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

**Note 9. Employee Retirement System (Continued)**

Other Post-Employment Benefits (OPEB) (Continued)

B. Health Insurance Coverage - Tier 2 and Tier 3 - Nonhazardous (Continued)

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. Health Insurance Coverage - Tier 2 and Tier 3 - Hazardous

Once members reach a minimum vesting period of 15 years, they earn fifteen 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. Upon the death of a hazardous employee, the employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. 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 COLA since July 2003 when the law changed. The annual increase is cumulative and continues to accrue after the member's retirement.

D. 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.

E. 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.

F. 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.

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

**Note 9. Employee Retirement System (Continued)**

KRS Annual Financial Report and Proportionate Share Audit Report

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

KRS also issues proportionate share audit reports for both total pension liability and other post-employment benefits for CERS determined by actuarial valuation as well as each participating county's proportionate share. Both the Schedules of Employer Allocations and Pension Amounts by Employer and the Schedules of Employer Allocations and OPEB Amounts by Employer reports and the related actuarial tables are available online at <https://kyret.ky.gov>. The complete actuarial valuation report, including all actuarial assumptions and methods, is also available on the website or can be obtained as described in the paragraph above.

**Note 10. Deferred Compensation**

The Pulaski 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, 2<sup>nd</sup> Floor, Frankfort, KY 40601, or by telephone at (502) 573-7925.

**Note 11. Insurance**

For the fiscal year ended June 30, 2020, the Pulaski 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 12. Subsequent Events**

- A. The Pulaski County Fiscal Court entered into a community development block grant agreement as the sub-recipient with the Department for Local Government effective July 10, 2020 through December 31, 2021 to assist with the purchase and renovation of 43 apartment units for senior and disabled affordable rental residences. The contract amount was for \$1,000,000.
- B. The Pulaski County Fiscal Court approved to purchase a building in the amount of \$1,025,000 on April 13, 2021. This building will be used as the new branch office of the county clerk.

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

**Note 13. Prior Period Adjustments**

	<u>Jail Fund</u>	<u>911 Fund</u>
Fund Balance - Beginning	\$ 213,519	\$ 151,651
Prior Year Forced Deposit In Transit	(683)	(79)
Prior Year Deposit In Transit Omitted	<u>1,151</u>	<u>          </u>
Fund Balance - Beginning (Restated)	<u>\$ 213,987</u>	<u>\$ 151,572</u>

The general fund and road fund beginning balances were each restated by an increase of \$1 due to rounding.

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

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

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

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

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 12,645,000	\$ 12,719,979	\$ 12,635,988	\$ (83,991)
In Lieu Tax Payments	320,000	320,000	180,221	(139,779)
Excess Fees	552,000	887,627	887,628	1
Licenses and Permits	150,000	150,000	152,144	2,144
Intergovernmental	1,278,730	1,488,533	1,637,488	148,955
Charges for Services	290,000	338,592	329,580	(9,012)
Miscellaneous	209,100	287,005	253,733	(33,272)
Interest	3,000	3,000	30,258	27,258
Total Receipts	<u>15,447,830</u>	<u>16,194,736</u>	<u>16,107,040</u>	<u>(87,696)</u>
<b>DISBURSEMENTS</b>				
General Government	6,370,590	6,908,629	6,670,099	238,530
Protection to Persons and Property	1,329,010	1,384,010	1,366,113	17,897
General Health and Sanitation	1,647,828	1,669,109	1,507,882	161,227
Social Services	27,000	27,000	27,000	
Recreation and Culture	374,982	525,569	482,458	43,111
Airports	100,000	100,000	100,000	
Debt Service	1,114,305	1,146,364	1,373,183	(226,819)
Capital Projects	5,275,000	5,350,000	2,140,034	3,209,966
Administration	1,584,115	1,638,812	1,414,679	224,133
Total Disbursements	<u>17,822,830</u>	<u>18,749,493</u>	<u>15,081,448</u>	<u>3,668,045</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(2,375,000)</u>	<u>(2,554,757)</u>	<u>1,025,592</u>	<u>3,580,349</u>
<b>Other Adjustments to Cash (Uses)</b>				
Financing Obligation Proceeds	5,000,000	5,000,000	525,000	(4,475,000)
Bond Proceeds			5,025,000	5,025,000
Net Premium On Bond Issue			52,201	52,201
Transfers From Other Funds	1,100,000	1,100,000	1,293,759	193,759
Transfers To Other Funds	<u>(3,975,000)</u>	<u>(3,975,000)</u>	<u>(4,740,000)</u>	<u>(765,000)</u>
Total Other Adjustments to Cash (Uses)	<u>2,125,000</u>	<u>2,125,000</u>	<u>2,155,960</u>	<u>30,960</u>
Net Change in Fund Balance	(250,000)	(429,757)	3,181,552	3,611,309
Fund Balance - Beginning (Restated)	<u>250,000</u>	<u>415,627</u>	<u>723,748</u>	<u>308,121</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (14,130)</u>	<u>\$ 3,905,300</u>	<u>\$ 3,919,430</u>

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

	<b>ROAD FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Excess Fees	\$ 25,000	\$ 25,000	\$ 51,746	\$ 26,746
Intergovernmental	3,304,086	5,007,046	4,990,908	(16,138)
Miscellaneous	65,000	69,278	69,279	1
Interest	4,000	4,000	7,090	3,090
Total Receipts	<u>3,398,086</u>	<u>5,105,324</u>	<u>5,119,023</u>	<u>13,699</u>
<b>DISBURSEMENTS</b>				
Roads	3,839,329	5,059,113	4,993,601	65,512
Debt Service	249,707	652,221	620,313	31,908
Capital Projects	95,000	107,286	649,369	(542,083)
Administration	914,050	1,013,099	718,616	294,483
Total Disbursements	<u>5,098,086</u>	<u>6,831,719</u>	<u>6,981,899</u>	<u>(150,180)</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,700,000)</u>	<u>(1,726,395)</u>	<u>(1,862,876)</u>	<u>(136,481)</u>
<b>Other Adjustments to Cash (Uses)</b>				
Financing Obligation Proceeds			549,364	549,364
Transfers From Other Funds	1,600,000	1,600,000	1,835,000	235,000
Transfers To Other Funds			(50,000)	(50,000)
Total Other Adjustments to Cash (Uses)	<u>1,600,000</u>	<u>1,600,000</u>	<u>2,334,364</u>	<u>734,364</u>
Net Change in Fund Balance	(100,000)	(126,395)	471,488	597,883
Fund Balance - Beginning (Restated)	100,000	140,525	140,526	1
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 14,130</u>	<u>\$ 612,014</u>	<u>\$ 597,884</u>

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

	<b>JAIL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 2,902,765	\$ 3,218,581	\$ 2,912,999	\$ (305,582)
Charges for Services	151,500	151,500	119,727	(31,773)
Miscellaneous	169,000	224,892	145,282	(79,610)
Interest	1,500	1,500	1,987	487
Total Receipts	<u>3,224,765</u>	<u>3,596,473</u>	<u>3,179,995</u>	<u>(416,478)</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	3,136,888	3,517,188	3,401,791	115,397
Administration	1,262,877	1,370,927	1,243,242	127,685
Total Disbursements	<u>4,399,765</u>	<u>4,888,115</u>	<u>4,645,033</u>	<u>243,082</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,175,000)</u>	<u>(1,291,642)</u>	<u>(1,465,038)</u>	<u>(173,396)</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	1,075,000	1,075,000	1,375,000	300,000
Total Other Adjustments to Cash (Uses)	<u>1,075,000</u>	<u>1,075,000</u>	<u>1,375,000</u>	<u>300,000</u>
Net Change in Fund Balance	(100,000)	(216,642)	(90,038)	126,604
Fund Balance - Beginning (Restated)	<u>100,000</u>	<u>216,642</u>	<u>213,987</u>	<u>(2,655)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 123,949</u>	<u>\$ 123,949</u>

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

	<b>LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 258,500	\$ 421,440	\$ 420,941	\$ (499)
Interest	250	250	1,016	766
Total Receipts	<u>258,750</u>	<u>421,690</u>	<u>421,957</u>	<u>267</u>
<b>DISBURSEMENTS</b>				
General Government	10,000	20,000	20,000	
Protection to Persons and Property	8,500	8,500	8,500	
General Health and Sanitation	850	850		850
Social Services	51,325	65,125	60,461	4,664
Recreation and Culture	144,175	148,660	146,385	2,275
Roads	40,000	91,500	76,543	14,957
Administration	23,900	115,334		115,334
Total Disbursements	<u>278,750</u>	<u>449,969</u>	<u>311,889</u>	<u>138,080</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(20,000)</u>	<u>(28,279)</u>	<u>110,068</u>	<u>138,347</u>
Net Change in Fund Balance	(20,000)	(28,279)	110,068	138,347
Fund Balance - Beginning	<u>20,000</u>	<u>28,279</u>	<u>28,279</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 138,347</u>	<u>\$ 138,347</u>

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

	<b>GRANT FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$	\$	\$ 425,000	\$ 425,000
Total Receipts			425,000	425,000
<b>DISBURSEMENTS</b>				
Capital Projects			425,000	(425,000)
Total Disbursements			425,000	(425,000)
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)				
Net Change in Fund Balance				
Fund Balance - Beginning			57,002	57,002
Fund Balance - Ending	\$	0	\$ 57,002	\$ 57,002

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

	<b>FIRE FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 3,700,000	\$ 3,700,000	\$ 3,922,560	\$ 222,560
Charges for Services	60,000	60,000	48,025	(11,975)
Miscellaneous	11,000	11,000	23,431	12,431
Interest	5,000	5,000	11,203	6,203
Total Receipts	<u>3,776,000</u>	<u>3,776,000</u>	<u>4,005,219</u>	<u>229,219</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	1,968,600	2,228,890	2,049,570	179,320
Debt Service	310,658	310,658	284,769	25,889
Capital Projects	210,000	756,100	746,858	9,242
Administration	286,742	551,788	132,300	419,488
Total Disbursements	<u>2,776,000</u>	<u>3,847,436</u>	<u>3,213,497</u>	<u>633,939</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>1,000,000</u>	<u>(71,436)</u>	<u>791,722</u>	<u>863,158</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds	<u>(1,100,000)</u>	<u>(1,100,000)</u>	<u>(1,100,000)</u>	
Total Other Adjustments to Cash (Uses)	<u>(1,100,000)</u>	<u>(1,100,000)</u>	<u>(1,100,000)</u>	
Net Change in Fund Balance	(100,000)	(1,171,436)	(308,278)	863,158
Fund Balance - Beginning	<u>100,000</u>	<u>1,171,436</u>	<u>1,171,437</u>	<u>1</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 863,159</u>	<u>\$ 863,159</u>

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

<b>INDUSTRIAL DEVELOPMENT FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Interest	\$	310	\$ 310	\$
Total Receipts		310	310	
<b>DISBURSEMENTS</b>				
General Government		2,146	2,145	1
Administration		111,962		111,962
Total Disbursements		114,108	2,145	111,963
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		(113,798)	(1,835)	111,963
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds			(111,964)	(111,964)
Total Other Adjustments to Cash (Uses)			(111,964)	(111,964)
Net Change in Fund Balance		(113,798)	(113,799)	(1)
Fund Balance - Beginning		113,798	113,799	1
Fund Balance - Ending	\$	0	\$ 0	\$ 0

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

	<b>911 FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 300,500	\$ 300,500	\$ 280,018	\$ (20,482)
Interest	1,200	1,200	1,533	333
Total Receipts	<u>301,700</u>	<u>301,700</u>	<u>281,551</u>	<u>(20,149)</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	1,077,229	1,088,654	1,143,643	(54,989)
Debt Service	52,416	52,416	54,259	(1,843)
Capital Projects	10,000	10,000	22,194	(12,194)
Administration	612,055	600,630	599,853	777
Total Disbursements	<u>1,751,700</u>	<u>1,751,700</u>	<u>1,819,949</u>	<u>(68,249)</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,450,000)</u>	<u>(1,450,000)</u>	<u>(1,538,398)</u>	<u>(88,398)</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	1,300,000	1,300,000	1,530,000	230,000
Transfers To Other Funds			(31,795)	(31,795)
Total Other Adjustments to Cash (Uses)	<u>1,300,000</u>	<u>1,300,000</u>	<u>1,498,205</u>	<u>198,205</u>
Net Change in Fund Balance	(150,000)	(150,000)	(40,193)	109,807
Fund Balance - Beginning (Restated)	<u>150,000</u>	<u>150,000</u>	<u>151,572</u>	<u>1,572</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 111,379</u>	<u>\$ 111,379</u>



**PULASKI COUNTY**  
**NOTES TO REGULATORY SUPPLEMENTARY**  
**INFORMATION - BUDGETARY COMPARISON SCHEDULES**

**June 30, 2020**

**Note 1. Budgetary Information**

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

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

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

**Note 2. Excess of Disbursements Over Appropriations**

General fund, debt service line item exceeded budgeted appropriations by \$226,819.

Road fund, capital projects line item exceeded budgeted appropriations by \$542,083. Road fund expenditures exceeded total budgeted appropriation amount by \$150,180.

Grant fund, capital projects line item exceeded budgeted appropriations by \$425,000. Grant fund expenditures exceeded total budgeted appropriation amount by \$425,000.

911 fund, protection to persons and property line item exceeded budgeted appropriations by \$54,989.

911 fund, debt service line item exceeded budgeted appropriations by \$1,843.

911 fund, capital projects line item exceeded budgeted appropriations by \$12,194.

911 fund expenditures exceeded total budgeted appropriation amount by \$68,249.

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**PULASKI COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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

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**PULASKI COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity's Identifying Number	Provided to Subrecipient	Total Federal Expenditures
<b><u>U.S. Department of the Treasury</u></b>				
<i>Passed-Through Kentucky Department for Local Government:</i>				
COVID - Coronavirus Relief Fund (CRF)	21.019	2100000191	\$	\$ 1,553,606
<b>Total U. S. Department of the Treasury</b>				<u>1,553,606</u>
Total Expenditures of Federal Awards			\$ 0	<u>\$ 1,553,606</u>

The accompanying notes are an integral part of this schedule.

**PULASKI COUNTY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**June 30, 2020**

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Pulaski County, Kentucky under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Pulaski County, Kentucky, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Pulaski County, Kentucky.

**Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported 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. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**Note 3. Indirect Cost Rate**

Pulaski County has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

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

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

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

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

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 5,578,731	\$ 1,889,233	\$	\$ 7,467,964
Construction In Progress	4,206,891			4,206,891
Buildings and Building Improvements	38,513,488			38,513,488
Other Equipment	8,720,273	926,447		9,646,720
Vehicles and Equipment	18,828,631	92,986	538,970	18,382,647
Infrastructure	194,975,756	1,652,394		196,628,150
 Total Capital Assets	 <u>\$270,823,770</u>	 <u>\$ 4,561,060</u>	 <u>\$ 538,970</u>	 <u>\$274,845,860</u>

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

**June 30, 2020**

**Note 1. Capital Assets**

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

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 25,000	10-60
Buildings and Building Improvements	\$ 50,000	10-75
Other Equipment	\$ 5,000	3-25
Vehicles and Equipment	\$ 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 Stephen B. Kelley, Jr., Pulaski County Judge/Executive  
Members of the Pulaski 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 Pulaski County Fiscal Court for the fiscal year ended June 30, 2020, and the related notes to the financial statement which collectively comprise the Pulaski County Fiscal Court's financial statement and have issued our report thereon dated June 9, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statement, we considered the Pulaski County Fiscal Court's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Pulaski County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Pulaski 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 Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 Questioned Costs as items 2020-001, 2020-002, 2020-003, 2020-004, 2020-005, and 2020-006 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)

**Internal Control Over Financial Reporting (Continued)**

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2020-007, 2020-008, 2020-009, 2020-010, 2020-012, 2020-013, 2020-015, and 2020-016 to be significant deficiencies.

**Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the Pulaski County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2020-003, 2020-004, 2020-006, 2020-011, and 2020-014.

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

Pulaski County's views and planned corrective action for the findings identified in our audit are included in the accompanying Schedule of Findings and Questioned Costs. 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

June 9, 2021

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH UNIFORM GUIDANCE**

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**MIKE HARMON**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Stephen B. Kelley, Jr., Pulaski County Judge/Executive  
Members of the Pulaski County Fiscal Court

Report On Compliance For Each Major Federal Program  
And Report On Internal Control Over Compliance  
In Accordance With Uniform Guidance

Independent Auditor's Report

**Report on Compliance for Each Major Federal Program**

We have audited the Pulaski County Fiscal Court's compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Pulaski County Fiscal Court's major federal programs for the year ended June 30, 2020. The Pulaski County Fiscal Court's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Pulaski County Fiscal Court's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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 requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Pulaski County Fiscal Court's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the Pulaski County Fiscal Court's compliance.



Report On Compliance For Each Major Federal Program  
And Report On Internal Control Over Compliance  
In Accordance With Uniform Guidance  
(Continued)

**Opinion on Each Major Federal Program**

In our opinion, the Pulaski County Fiscal Court complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

**Report on Internal Control over Compliance**

Management of the Pulaski County Fiscal Court is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Pulaski County Fiscal Court's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Pulaski County Fiscal Court's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2020-016 that we consider to be a significant deficiency.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



Mike Harmon  
Auditor of Public Accounts

June 9, 2021

**PULASKI COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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

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**PULASKI COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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

**Section I: Summary of Auditor's Results**

***Financial Statement***

Type of report auditor issued: Adverse on GAAP and Unmodified on Regulatory Basis

Internal control over financial reporting:

Are any material weaknesses identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Are any significant deficiencies identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> None Reported
Are any noncompliances material to financial statements noted?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

***Federal Awards***

Internal control over major programs:

Are any material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are any significant deficiencies identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> None Reported
Type of auditor's report issued on compliance for major federal programs: Unmodified		
Are any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
21.019	Coronavirus Relief Fund

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000	
Auditee qualified as a low-risk auditee?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

**PULASKI COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 2020**  
**(Continued)**

**Section II: Financial Statement Findings**

2020-001 The Pulaski County Fiscal Court Lacks Adequate Segregation Of Duties Over Cash, Receipts, And Reconciliations

---

The Pulaski County Fiscal Court lacks adequate segregation of duties over cash, receipts, and reconciliations. The county treasurer records receipts, prepares deposits, and reconciles the bank accounts. The fiscal court has implemented some compensating controls such as, the county judge/executive or deputy judge review the bank reconciliations. However, these controls are insufficient to reduce the risk of material misstatement.

According to the county treasurer and county judge/executive, they thought they had sufficient controls in place to reduce the risk of material misstatement.

Adequate segregation of duties would prevent the same person from having a significant role in these incompatible functions. In addition, proper segregation of duties protects employees in the normal course of performing their daily responsibilities. If segregation of duties is not feasible due to limited staff or budget, the implementation of compensating controls can reduce the risk that an undetected misstatement could occur.

We recommend the fiscal court separate duties over cash, receipts, and reconciliations. If these duties cannot be separated due to limited staff or limited budget, then strong oversight over those areas should occur by an employee not currently performing any of those functions. The individual providing this oversight should initial source documents as evidence of review.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: The treasurer will have Exec. Secretary to verify the deposit log with the actual deposit. Subsequently the Admin. Assistant of DJE will review the cash receipt listing for accuracy.*

2020-002 The Pulaski County Fiscal Court Lacks Adequate Controls Over Occupational Tax Receipts

---

This is a repeat finding and was included in prior year audit report as finding 2019-016. The Pulaski County Fiscal Court lacks adequate controls and segregation of duties over occupational tax collections. The occupational tax employees have the ability to change amounts collected in the software program, the ability to waive interest and penalty without approval, and failure to compare actual tax returns to the amount posted. This has caused a material deficiency.

Due to lack of oversight, this deficiency was allowed to occur. The lack of controls could result in fraud, misappropriations, and material misstatements. Good and effective internal control procedures would dictate confirmation of all reports of cash receipts.

We recommend the fiscal court contact the computer software company to alleviate the ability to change amount collected and the ability to remove penalty and interest charged to taxpayers. We also recommend the fiscal court segregate duties and when not possible implement necessary compensating internal controls over receipts such as comparison of report to amount deposited and amount posted. The review should be documented by signature or initials.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: All receipts are verified including waivers of penalty and interest.*

**PULASKI COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2020  
(Continued)**

**Section II: Financial Statement Findings (Continued)**

2020-003 The Pulaski County Fiscal Court's Budget Was Not Prepared Or Reviewed As Required

This is a repeat finding and was included in the prior year audit report as finding 2019-003. The Pulaski County Fiscal Court did not prepare or review the budget as required and the following occurred:

- Several line item accounts exceed the budgeted amounts on the fourth quarter report.
- Road fund expenditures exceed total budgeted amounts by \$150,180.
- Grant fund expenditures exceeded total budgeted amounts by \$425,000.
- 911 fund expenditures exceeded total budgeted amounts by \$68,249.
- Budget amendments on the fourth quarter financial report were not reported correctly.
- Road fund per the quarterly did not agree to the budget amendments approved.

This was allowed to occur due to no review of the quarterly budget. The county treasurer adjusted the disbursements budget amendment column for intrafund transfers, therefore, the budget amendment on the quarterly includes some intrafund transfers resulting in a net amount on the quarterly.

As a result of not reviewing the budget to actual expenditures, three funds exceeded total budgeted amounts. In addition, by not correctly accounting for budget amendments and intrafund transfers, the quarterly budget was understated by \$156,826.

KRS 68.240(1) states, in part, “[t]he county judge/executive shall annually prepare a proposed budget for the expenditure of all funds, including those from state and federal sources, which are to be expended by the fiscal court in the next fiscal year[.]”

In addition, the *County Budget Preparation and State Local Officer Policy Manual* issued by the Department for Local Government (DLG) states, “It is necessary to amend the budget to reflect the receipt and expenditure of funds received through a state or federal grant if that grant was not part of the original budget document. An amendment of this nature should be made immediately upon receipt of those funds.”

KRS 68.300 states, “[a]ny appropriation made or claim allowed by the fiscal court in excess of any budget fund, and any warrant or contract not within the budget appropriation, shall be void. No member of the fiscal court shall vote for any such illegal appropriation or claim. The county treasurer shall be liable on his official bond for the amount of any county warrant willfully or negligently signed or countersigned by him in excess of the budget fund out of which the warrant is payable.”

We recommend the Pulaski County Fiscal Court ensure all line items, as well as all funds are properly budgeted. The budget should be reviewed periodically by management and department heads, and always before a purchase order is approved and the expenditure is completed. Budget transfers or budget amendments should be prepared and reported properly on the fourth quarterly report.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: This has been corrected for the 2021 Fiscal Year.*

**PULASKI COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 2020**  
**(Continued)**

**Section II: Financial Statement Findings (Continued)**

2020-004 The Pulaski County Fiscal Court Did Not Correctly Record Interfund Transfers And Transfers Were Not Always Approved By The Fiscal Court

---

This is a repeat finding and was included in the prior year report as finding 2019-006. There was no evidence of fiscal court approval in the fiscal court order book for seven out of 31 interfund cash transfers. Also, the transfers per the quarterly did not agree with the receipts ledger provided by the county and the transfers in and transfers out per the quarterly did not balance. Therefore, cancelled checks for transfers were recapped and amounts adjusted to the quarterly report.

This deficiency was due to the lack of oversight and internal controls over accounting functions. Without proper oversight and approval from the fiscal court, undetected misappropriation and fraud could occur. When cash transfers are made without approval of the fiscal court, funds can be moved between funds to cover expenditures without the knowledge of the fiscal court. Interfund transfers should be from one fund to another fund and should always balance.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual* states, "All transfers require a court order."

We recommend all cash transfers between funds be approved by the fiscal court and approved prior to the transfer being made. The quarterly report should be reviewed to ensure transfers in and transfers out balance.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: With cancelled Fiscal Court meetings due to Covid, transfers that should have been approved were not. This should be rectified during FY 2021.*

2020-005 The Pulaski County Fiscal Court Did Not Have Strong Internal Controls Over Disbursements

---

This is a repeat finding and was included in the prior year audit report as finding 2019-009. Internal controls over disbursements were not operating as intended during fiscal year 2020. The following exceptions were noted:

- Three invoices were paid late.
- Three transactions were not approved by the fiscal court.
- Fund availability was not verified before purchases.
- Four credit card invoices were missing and one invoice was not detailed.
- Backs of checks were not included in bank statements for road fund to verify endorsements.
- Finance charges were on four credit card statements; however, they were subsequently refunded.

These deficiencies were allowed to occur due to lack of oversight and proper review of supporting documentation. The financial institution did not provide backs of checks in the bank statement. Due to lack of controls over disbursements, the county could incur additional interest and penalties on late payments, incur expenses the county is not obligated for, and exceed available line item budgets. In addition, by not having copies of back of checks from the financial institution, the fiscal court cannot verify endorsement to ensure it was same as intended payee.



**PULASKI COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2020  
(Continued)**

**Section II: Financial Statement Findings (Continued)**

2020-005 The Pulaski County Fiscal Court Did Not Have Strong Internal Controls Over Disbursements  
(Continued)

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Proper internal controls over disbursements are important to ensure invoices are paid within 30 days, claims presented to the fiscal court, include proper supporting documentation, there is fund availability, and no finance charges paid.

KRS 68.275 requires the county judge/executive to present all claims to the fiscal court for review prior to payment unless the expenses are included on a standing order adopted by the fiscal court to preapprove the payment of certain claims such as monthly payroll and utility expenses. Furthermore, KRS 65.140 requires invoices to be paid within 30 working days of being received.

We recommend the fiscal court implement proper internal controls over disbursements and ensure they are operating effectively.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: This occurred due to missed Court meetings, delayed mail delivery and remote working due to the pandemic. We will work to improve this process.*

2020-006 The Pulaski County Fiscal Court Did Not Properly Disclose Debt Information On The Quarterly  
Financial Report

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This is a repeat finding and was included in the prior year audit report as finding 2019-007. The fiscal court did not properly disclose required debt information in the liabilities section of the quarterly report submitted to the state local finance officer. Six debt obligations were omitted from the quarterly and four debt obligations were reported incorrectly.

This was allowed to occur due to no review of the quarterly financial report and the debt balances were not reconciled to the amortization schedules. By omitting the liabilities of the fiscal court or recording incorrect amounts, the state local finance officer did not have the accurate position of the fiscal court. As a result, the quarterly understated principal debt obligations by \$15,381,239 and interest of \$1,542,021.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The uniform system of accounts is set forth in the Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual* which requires the liabilities section of the fourth quarterly financial report to be utilized for reporting all current long-term debt.

We recommend the fiscal court properly disclosure all debt on the liability section of the quarterly financial reports.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: This will be corrected for FYE 2021.*

**PULASKI COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2020  
(Continued)**

**Section II: Financial Statement Findings (Continued)**

2020-007 The Pulaski County Fiscal Court's Bank Reconciliations Are Not Accurate

This is a repeat finding and was included in the prior year audit report as finding 2019-001. The bank reconciliations as of June 30, 2020, included stale outdated checks as far back as 2011. See amounts below:

General Fund - \$10,782

Road Fund - \$3,388

Jail Fund - \$1,364

Fire Fund - \$652

The bank reconciliations for June 30, 2020, also included forced debits and credits in order to balance in some funds. The general fund listed a debit in the amount of \$17,454. The amount was listed as an outstanding check, but there was no check number listed. The road fund had an outstanding credit of .02. The jail fund listed three outstanding credits from previous years totaling \$2,655. The 911 fund had three outstanding credits totaling \$200. The outstanding credit amounts were listed as deposits in transit but could not be traced to subsequent bank statements. Based upon discussion with the county treasurer, all these amounts appear to be forced debits and credits in order to balance the book balance with the bank balance.

The county treasurer stated all forced debits and credits have been carried forward from the former county treasurer and she did not know what they were or how to correct them.

Due to the stale outstanding checks and forced debits and credits, the June 30, 2020 ending balances reported on the fourth quarter financial report for the general, road, jail, 911, and fire funds may be inaccurate.

Good internal controls dictate that adequate reporting be maintained for all receipts and disbursements and book and bank balances be reconciled monthly in order to ensure proper accounting and accurate fund balances. KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual* states the following minimum requirements for handling public funds "Monthly bank reconciliation..."

If the fiscal court has stale outstanding checks, they need to be escrowed and held for three years, after which if unclaimed, the funds go to the state treasurer as property assumed abandoned per KRS 393A.040 and KRS 393A.240.

We recommend monthly bank reconciliations to be accurately prepared with no forced debits and credits. We recommend the forced debits and credits be investigated and corrected to ensure monthly fund balances are accurate and book and bank balances reconcile. We further recommend any stale outstanding checks be placed in an escrow account and properly accounted for per applicable statutes.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: This has been an ongoing process to verify and should be completed by FYE 2021.*

**PULASKI COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 2020**  
**(Continued)**

**Section II: Financial Statement Findings (Continued)**

2020-008 The Pulaski County Fiscal Court Did Not Maintain Proper Records For The Public Properties Corporation Fund And General Obligation Bonds

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This is a repeat finding and was included in the prior year audit report as finding 2019-004. The Pulaski County Fiscal Court is financially accountable and legally obligated for the debt of the Public Properties Corporation (PPC) and the general obligation bond funds. The fiscal court did not maintain receipt and disbursement ledgers, did not prepare monthly bank reconciliations, and did not prepare financial statements for the PPC and the general obligation bond funds.

The treasurer stated she was not maintaining the records because they do not go on her quarterly financial report. As a result of not maintaining proper records, the county was unaware if funds were used properly. The financial statement was also materially inaccurate.

Good internal controls dictate that adequate reporting be maintained for all receipts and disbursements and book and bank balances be reconciled monthly in order to ensure proper accounting and accurate fund balances. KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual* states the following minimum requirements for handling public funds "Monthly bank reconciliation" and "Books of original entry for receipts and expenditures..."

We recommend the fiscal court prepare and maintain ledgers for receipts and disbursements of the PPC and general obligation bond funds. We also recommend monthly bank reconciliations be prepared for all funds. In addition, the fiscal court should prepare end of the year financial statements for funds in order to ensure compliance with DLG requirements.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: Will work to try to maintain these records properly.*

2020-009 The Pulaski County Jailer Did Not Prepare Daily Checkout Sheets For All Revenue Received And Did Not Make Daily Deposits Intact

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This is a repeat finding and was included in the prior year audit report as finding 2019-011. Daily checkout sheets were not prepared for receipts in the jail's inmate account or direct deposit receipts in the commissary account. Inmate monies collected by bookkeepers were not deposited daily. These receipts were deposited weekly instead of daily.

The jailer and bookkeeper were not aware all receipts should be documented, accounted for on a daily checkout sheet, and deposited daily. When deposits are not made timely, the risk that the bank account can be overdrawn is increased and there is an increased risk of misappropriation of funds. Also, by not preparing daily checkout sheets daily, this leads for more room for theft.

The Department for Local Government (DLG) was given the authority by KRS 68.210 to prescribe a uniform system of accounts. The minimum requirements for handling public funds in *County Budget Preparation and State Local Finance Officer Policy Manual* states, "daily deposits intact into a federally insured banking institution." It also states for jail commissaries that, "Daily deposits are required. At the end of each business day the Jailer or assigned personnel should separate individual receipts into categories listed on the checkout sheet."

**PULASKI COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 2020**  
**(Continued)**

**Section II: Financial Statement Findings (Continued)**

2020-009 The Pulaski County Jailer Did Not Prepare Daily Checkout Sheets For All Revenue Received And Did Not Make Daily Deposits Intact (Continued)

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Additionally, the practice of making daily deposits reduces the risk of misappropriation of cash, which is the asset most susceptible to possible theft.

We recommend the jailer make daily deposits and complete daily checkout sheets for all monies received in both commissary and inmate accounts.

Views of Responsible Official and Planned Corrective Action:

*Jailer's Response: Incoming funds are now documented and deposited daily.*

2020-010 The Pulaski County Jail Commissary Did Not Have Strong Internal Controls Over Disbursements

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This is a repeat finding and was included in prior year audit report as finding 2019-017. The Pulaski County jail commissary did not have strong internal controls over disbursements. Supporting documentation was not maintained and appropriate and proper procedures were not followed.

As a result of not monitoring controls, the deficiencies below occurred. These errors resulted from the combination of inadequate segregation of duties and weakly designed and implemented internal controls.

These deficiencies could result in inaccurate reporting and misappropriation of assets. The following exceptions were noted:

- Jail commissary paid from a quote instead of invoices resulting in overpayment of \$150; which was credited from the company 4 months later.
- Jail commissary paid state sales tax on 4 invoices totaling \$111.
- One invoice was not paid within 30 days.
- One invoice for \$51 was missing.

Proper internal controls over disbursements are important to ensure invoices are paid timely, correctly, and state tax is not paid on invoices. In addition, KRS 65.140 jailer requires invoices to be paid within 30 working days of being received and KRS 139.470(7) exempts local governments from paying state sales tax on goods and services.

We recommend the jail commissary implement good internal controls over disbursements by not paying from quotes, ensure all purchases have an invoice, paying invoices within 30 days of invoice received date, and implementing procedures to prevent state sales tax being paid.

Views of Responsible Official and Planned Corrective Action:

*Jailer's Response: Jail commissary will implement better training for staff to ensure invoices are not paid by quotes, paid in a timely manner, and no state taxes to be paid.*

**PULASKI COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 2020**  
**(Continued)**

**Section II: Financial Statement Findings (Continued)**

2020-011 The Pulaski County Fiscal Court Declared An Emergency Budget Amendment For A Non-Emergency Situation

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On June 29, 2020, the Pulaski County Fiscal Court accepted an emergency budget amendment for a non-emergency situation. The budget for fiscal year 2019-2020 was amended to increase general, road, jail, and Local Government Economic Assistance (LGEA) funds by \$2,545,553.

An emergency budget amendment was declared because there was not time to publish and advertise before the end of the fiscal year. Thus, time constraints do not meet the definition of a legitimate emergency. By declaring an emergency for a non-emergency situation, proper procedures for amendments to the county budget were not followed and the fiscal court is in non-compliance with KRS 39A.020's definition of an emergency.

The *County Budget Preparation and State Local Finance Officer Policy Manual* states "A budget amendment is an ordinance and must be approved by the fiscal court in the statutorily prescribed manner including advertising and publishing requirements. All amendments to a county budget must be approved by the State Local Finance Officer as mandated by KRS 68.280." It further states "Any amendments to a county budget submitted to the state local finance officer on an emergency basis must strictly adhere to the provisions of KRS 67.078 and a photocopy order naming and describing the emergency must accompany the budget amendment pursuant to KRS 68.280."

In addition, KRS 39A.020(12) defines emergency as "...any incident or situation which poses a major threat to public safety so as to cause, or threaten to cause, loss of life, serious injury, significant damage to property, or major harm to public health or the environment." Therefore, time constraints do not meet the definition of an emergency situation.

We recommend the fiscal court follow the proper procedures outlined in the *County Budget Preparation and State Local Finance Officer Policy Manual* for budget amendments. In addition, emergencies should never be declared unless the definition of KRS 39A.020(12) is met.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: This office has a different criteria for an emergency, which was approved by Fiscal Court. This being said, the problem has been corrected.*

2020-012 The Pulaski County Fiscal Court Did Not Have A Pledge Agreement For Jail Commissary Funds

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This was a repeat finding and was included in the prior year audit report as finding 2019-010. The jail commissary bank account balance exceeded \$250,000 and was deposited into a bank that the fiscal court did not use for other funds; therefore, they did not have a pledge agreement with this bank. On June 30, 2020, the jail commissary bank balance was \$428,394, leaving \$178,394 unsecured. In addition, the jail had two other bank accounts in another bank which did not have enough pledges to secure deposits. As of June 30, 2020, \$16,353 of deposits were unsecured.

The treasurer does not reconcile or review the jail commissary bank accounts. The jail bookkeeper was unaware pledges should be obtained for deposits exceeding \$250,000. Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. There was \$178,394 of the jail commissary deposits which were at risk with no agreement with the bank and no amount pledged.

**PULASKI COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 2020**  
**(Continued)**

**Section II: Financial Statement Findings (Continued)**

2020-012 The Pulaski County Fiscal Court Did Not Have A Pledge Agreement For Jail Commissary Funds  
 (Continued)

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According to KRS 41.240, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance (\$250,000), 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.

We recommend a pledge agreement be obtained from the bank for the jail commissary account and a sufficient amount should be pledged to cover the balances in the other bank. If the bank is unable or unwilling to do this, then the account should be moved to another bank that will meet the requirements.

Views of Responsible Official and Planned Corrective Action:

*Jailer's Response: A pledge agreement has been obtained.*

2020-013 The Pulaski County Fiscal Court Did Not Issue Purchase Orders On All Disbursements As Required

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This is a repeat finding and was included in the prior year audit report as finding 2019-005. The Pulaski County Fiscal Court did not issue purchase orders on all disbursements. The fiscal court's administration code requires purchase orders for any purchase made for items other than utilities, payroll, and benefits; however, there were no purchase orders for three of 53 items tested and eight purchase orders were dated after the invoice date. In addition, 32 credit card invoices did not include purchase orders and 14 purchases orders did not have pertinent information on the purchase orders of the 79 credit card purchases tested.

The county judge/executive and county treasurer stated the above were allowed to occur due to oversight. As a result, appropriation line items may be depleted or have a negative balance due to not ensuring funds are available at the time of purchase.

Strong internal controls over disbursements are essential in ensuring disbursements are properly approved and recorded. In addition, KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The uniform system of accounts is set forth in the Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual* which requires a purchase order system for all counties and the each county is responsible for ensuring their purchase order system is executed and working properly. The Department for Local Government also highly recommends that counties accept the practice of issuing purchase orders for payroll and utility claims. The reason is that it allows the county to actually see the cash requirements as to what will be needed to cover a particular bill.

We recommend the fiscal court strengthen controls over disbursements and the purchasing procedures by requiring disbursements to have purchase orders submitted prior to approval.

**PULASKI COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 2020**  
**(Continued)**

**Section II: Financial Statement Findings (Continued)**

2020-013 The Pulaski County Fiscal Court Did Not Issue Purchase Orders On All Disbursements As Required  
 (Continued)

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Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: A memo will be resubmitted to all departments stating the requirement of purchase orders on every purchase. Also, a monthly running purchase order will be issued for recurring purchases: i.e.: pest control, some park purchases, utilities, etc.*

2020-014 The Pulaski County Fiscal Court Did Not Properly Budget And Include All Debt Activity In The  
 Financial Statement

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The Pulaski County Fiscal Court's fourth quarter financial report did not include financing proceeds and the disbursements for the purchase of four road trucks and a building in the amounts of \$549,364 and \$525,000, respectively.

The fiscal court failed to report the financial activity related to these two purchases due to the financing proceeds being paid directly to the vendors from the financial institutions. Since these transactions did not run through the fiscal court's bank accounts, they were not included in the fiscal court's budget process or reflected on the fiscal court's financial report. The fiscal court was not aware the proceeds needed to be reported.

Failure to include all debt activity on the financial statement caused the financial statement to be understated by \$1,074,364. After the financial statement was adjusted to properly account for the debt, the county's budget to actual statement presented as supplementary information accompanying the financial statement shows the capital project line in the road fund to be under budgeted by \$542,083.

The Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual* provides requirements and guidance for county government's preparation and presentation of the financial statement and budget. Page 48 of the manual states, "[a]ll borrowed money received and repaid must be reflected in the county budget," page 72 of the manual states, "[a]ll county money is to be reported on the financial statement whether it is included in the budget or not," and page 74 of the manual states, "[a]ny borrowed money that is not reflected in the original budget estimate must be **amended** into the budget and be properly reflected on the financial report as a receipt as well as an "expenditure" for repayment of borrowed funds."

We recommend the Pulaski County Fiscal Court present all financial activity in the county's financial statement as required by the regulatory basis of accounting. In addition to complying with the Department for Local Government's financial statement presentation requirements, this will also ensure all line items are properly budgeted or amended as needed.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: This was an oversight and has been completed.*

**PULASKI COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 2020**  
**(Continued)**

**Section II: Financial Statement Findings (Continued)**

2020-015 The Pulaski County Fiscal Court Did Not Follow Proper Procurement Procedures For Purchases Over \$20,000

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This is a repeat finding and was included in the prior year audit report as finding 2019-002. The Pulaski County Fiscal Court did not advertise for bids on all expenditures exceeding \$20,000. The fiscal court paid \$549,364 to an equipment vendor for four dump trucks. These items were not bid by the fiscal court.

The fiscal court thought the vendor was on the state contract bid list. As a result, the fiscal court was not in compliance with procurement laws or their administrative code. In addition, the county may not have received the best value for services or products provided.

The Pulaski County Fiscal Court Administrative Code states, “Any expenditure or contract for materials, supplies (except perishable meat, fish and vegetables), equipment, or for contractual services other than professional, involving an expenditure of more than Twenty Thousand Dollars (\$20,000) shall be subject to competitive bidding.”

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

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive’s Response: For the item in question, when purchased, the Fiscal Curt was under the impression that these items were on the state price contract. We are now checking all items for state bid accuracy.*

**Section III: Federal Award Findings And Questioned Costs**

2020-016 The Pulaski County Fiscal Court Failed To Implement Internal Controls To Ensure Costs Submitted For Reimbursement Were For Eligible Expenses

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CFDA 21.019 Coronavirus Relief Fund Reimbursement/Coronavirus Relief Fund For States  
*Award Number and Year: C078 2020*

*Name of Federal Agency and Pass-Through Agency:*

U.S. Department of Treasury and KY Department for Local Government – Office of Grants

*Compliance Requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles*

*Type of Finding: Significant Deficiency*

*Amount of Questioned Costs: \$5,851*

The Coronavirus Relief Fund (CRF) was established under section 601 of the Social Security Act to cover costs that are necessary expenditures incurred due to the public health emergency with respect to Coronavirus Disease 2019 (COVID-19). The \$150 billion fund is to be used to make payments for specified uses to states, tribal governments, and certain local governments for the program period March 1, 2020 through December 30, 2021. The Compliance Supplement 2020 addendum for Department of the Treasury for CRF for States, Tribal Governments, and Certain Eligible Local Governments states “recipients may not use payments from the Fund to cover expenditures for which they will receive reimbursement from other sources.” During fiscal year 2020, the Pulaski County Fiscal Court received reimbursements from the CRF for the payroll expenditures that had already been reimbursed by a federal grant or other governmental entities.



**PULASKI COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 2020**  
**(Continued)**

**Section III: Federal Award Findings And Questioned Costs (Continued)**

2020-016 The Pulaski County Fiscal Court Failed To Implement Internal Controls To Ensure Costs Submitted For Reimbursement Were For Eligible Expenses (Continued)

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The Pulaski County Fiscal Court failed to establish effective internal controls over compliance requirements to ensure expenditures submitted for reimbursement from the CRF were not already reimbursed from other sources. We then reviewed reimbursements received from other state and federal grants or other governmental entities for payroll expenditures that had also been reimbursed by CRF. The issue noted appears to be isolated to the CRF grant reimbursements.

The deputy county judge/executive stated he was unaware that some of the payroll expenditures submitted by the sheriff's office for reimbursement under CRF reimbursement contract had already been reimbursed to the sheriff's office by other entities.

The fiscal court received reimbursement for payroll expenditures that had already been reimbursed by other entities. The fiscal court may be required to repay the questioned costs back to the granting agency.

2 CFR § 200.303 requires a non-federal entity to “[e]stablish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.” In addition, 2 CFR § 200.53 states:

“(a) *Improper payment* means any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements; and

(b) *Improper payment* includes any payment to an ineligible party, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), any payment that does not account for credit for applicable discounts, and any payment where insufficient or lack of documentation prevents a reviewer from discerning whether a payment was proper.”

Total known questioned costs are \$5,851. Questioned costs were computed by comparing reimbursements received from other state and federal grants or other governmental entities for payroll expenditures to payroll expenditures submitted for reimbursement to Coronavirus Relief Fund (CRF). During testing, we found the following expenditures included that had already been reimbursed:

- \$5,619 gross wages were reimbursed for overtime for law enforcement officers from High Intensity Drug Trafficking Area (HIDTA) grant from the United State Office of National Drug Control Policy (ONDCP)
- \$232 gross wages were reimbursed for transportation of patients for law enforcement officers from ADANTA

Not a repeat finding.

**PULASKI COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 2020**  
**(Continued)**

**Section III: Federal Award Findings And Questioned Costs (Continued)**

2020-016 The Pulaski County Fiscal Court Failed To Implement Internal Controls To Ensure Costs Submitted For Reimbursement Were For Eligible Expenses (Continued)

We recommend the fiscal court strengthen internal controls over federal awards to ensure expenditures have not been reimbursed by other entities and are eligible expenditures. We also recommend that the fiscal court contact the Department for Local Government to determine if questioned costs should be repaid or if they can resubmit request with eligible expenditures.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: When we requested reimbursement on the payroll funds from Covid relief, 2 programs were included that should have been excluded. We were not aware of this issue.*

**Section IV: Summary Schedule of Prior Audit Findings**

Finding Number	Prior Year Finding Title	Status	Corrective Action
2019-001	Pulaski County Fiscal Court Bank Reconciliations Are Not Accurate	Unresolved	See corrective action for current year finding at 2020-007
2019-002	Pulaski County Fiscal Court Did Not Follow Proper Bid Laws And Regulations	Unresolved	See corrective action for current year finding at 2020-015
2019-003	Pulaski County Fiscal Court Budget Was Not Prepared Or Reviewed As Required	Unresolved	See corrective action for current year finding at 2020-003
2019-004	Pulaski County Fiscal Court Did Not Maintain Proper Records For The Public Properties Corporation Fund And The General Obligation Bond Fund	Unresolved	See corrective action for current year finding at 2020-008
2019-005	Pulaski County Fiscal Court Did Not Issue Purchase Orders On All Disbursements As Required	Unresolved	See corrective action for current year finding 2020-013
2019-006	Interfund Transfers Were Not Recorded Correctly And Were Not Always Approved By Fiscal Court	Unresolved	See corrective action for current year finding 2020-004
2019-007	Debt Information Was Not Properly Disclosed On The Quarterly Financial Report	Unresolved	See corrective action for current year finding 2020-006
2019-008	The Deputy Judge Worked Excessive Amounts Of Overtime With No Documentation of Preapproval As Required By The Pulaski County Fiscal Court Personnel Policies And Procedures Manual	Resolved	
2019-009	Pulaski County Fiscal Court Did Not Have Strong Internal Controls Over Disbursements	Unresolved	See corrective action for current year finding 2020-005
2019-010	Fiscal Court Did Not Have A Pledge Agreement Or An Amount Pledged For Jail Commissary Funds	Unresolved	See corrective action for current year finding 2020-012

**PULASKI COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 2020**  
**(Continued)**

**Section IV: Summary Schedule of Prior Audit Findings (Continued)**

Finding Number	Prior Year Finding Title	Status	Corrective Action
2019-011	The Jailer Did Not Prepare Daily Check-out Sheets For All Revenue Received For The Inmate Account	Unresolved	See corrective action for current year finding 2020-009
2019-012	The Jailer Did Not Maintain Adequate Software Backup For The Fiscal Year Ended June 30, 2019 In Accordance With KRS 68.210	Resolved	
2019-013	Pulaski County Fiscal Court Has Material Weaknesses Regarding Payroll Recording And Reporting	Partially Resolved	Improved payroll records in current year. A small error was overlooked.
2019-014	Pulaski County Fiscal Court Did Not Maintain Complete And Accurate Capital Asset Schedules In Order To Comply With Regulatory Requirements And Did Not Perform Inventory Of Capital Assets Periodically	Resolved	
2019-015	Pulaski County Fiscal Court Lacks Adequate Segregation Of Duties Over Disbursements And Reconciliations	Resolved	
2019-016	Pulaski County fiscal Court Lacks Adequate Controls Over Occupational Tax Receipts	Unresolved	See corrective action for current year finding 2020-002
2019-017	The Jailer Lacked Adequate Internal Controls Over Disbursements In The Jail Commissary Fund	Partially Resolved	The ledgers were more accurate than prior year and not as many errors. There were a few mistakes due to human error.

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

**PULASKI COUNTY FISCAL COURT**

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

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CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE  
COUNTY FISCAL COURT

For The Year Ended June 30, 2020

The Pulaski 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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County Judge/Executive



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County Treasurer