

**REPORT OF THE AUDIT OF THE
PERRY 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 Scott Alexander, Perry County Judge/Executive
Members of the Perry 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 Perry County Fiscal Court, for the year ended June 30, 2020, and the related notes to the financial statement, which collectively comprise the Perry County Fiscal Court's financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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



To the People of Kentucky
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Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the Perry 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 Perry 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 Perry 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 as 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 Perry 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.

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.

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Other Matters (Continued)

Supplementary and Other Information (Continued)

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 August 23, 2022, on our consideration of the Perry 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 solely 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 effectiveness of 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 Perry 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 Perry County Fiscal Court Failed To Provide Adequate Oversight Over All Accounting And Financial Management Practices
- 2020-002 The Perry County Fiscal Court Did Not Amend Its Budget To Reflect The Transfer Of The Financial Management Activities Of The Sanitation District No. 1 Of Perry County
- 2020-003 The Treasurer Did Not Prepare An Annual Settlement In Accordance With KRS 68.020
- 2020-004 The Perry County Fiscal Court Did Not Obtain Proper Approval For All Budget Amendments
- 2020-005 The Perry County Fiscal Court Did Not Properly Reconcile The Payroll Revolving Account
- 2020-006 The Perry County Fiscal Court Did Not Maintain Adequate Internal Controls Over Cash, Receipts, And The Reporting Process
- 2020-007 The Perry County Fiscal Court Failed To Properly Disclose Debt On The Quarterly Financial Report
- 2020-008 The Perry County Fiscal Court Did Not Properly Budget For And Record All Debt-Related Disbursements
- 2020-009 The Perry County Fiscal Court Failed To Maintain Proper Accounting Records For The Justice Center Corporation Fund
- 2020-010 The Perry County Fiscal Court Failed To Make Continuing Financial Disclosures Required By Bond Agreements
- 2020-011 The Perry County Fiscal Court Obtained Financing In The Form Of A Promissory Note That Exceeds The Allowable Term Permitted
- 2020-012 The Perry County Fiscal Court's Disbursements Exceeded Approved Budgeted Appropriations
- 2020-013 The Perry County Fiscal Court Failed To Implement Controls Over Payroll Process And Approve Pay Rates For County Employees On An Annual Basis
- 2020-014 The Perry County Fiscal Court Failed To Implement Proper Internal Controls Over Disbursements
- 2020-015 The Treasurer Did Not Report Accurate Encumbrances On The Fourth Quarter Report

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

2020-016 The Perry County Fiscal Court Did Not Comply With Competitive Bidding Requirements
2020-017 The Perry County Fiscal Court Has \$201,285 Of Questioned Costs For The Coronavirus Relief
Fund Federal Program

Respectfully submitted,

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

Mike Harmon
Auditor of Public Accounts

August 23, 2022

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

Scott Alexander	County Judge/Executive
Don Miller	Magistrate
Ronald Combs	Magistrate
Clayton Church	Magistrate

Other Elected Officials:

John Carl Shackelford	County Attorney
Eunice Howard	Jailer
Wayne Napier	County Clerk
Charlie Patterson	Circuit Court Clerk
Joseph Engle	Sheriff
John Gross	Property Valuation Administrator
Jimmy Maggard	Coroner

Appointed Personnel:

Joy Witt	County Treasurer
Tonya McQueen	Former County Treasurer
Joyce Napier	Chief Financial Officer

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

For The Year Ended June 30, 2020

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

For The Year Ended June 30, 2020

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	\$ 1,277,958	\$	\$
In Lieu Tax Payments	11,217		
Excess Fees	57,599		
Licenses and Permits	412,741		
Intergovernmental	1,323,417	2,204,163	111,632
Charges for Services	220,572		
Miscellaneous	182,998	499,715	119,974
Interest	2,971	765	3,773
Total Receipts	<u>3,489,473</u>	<u>2,704,643</u>	<u>235,379</u>
DISBURSEMENTS			
General Government	1,998,843		
Protection to Persons and Property	10,823		1,691,082
General Health and Sanitation			
Social Services			
Recreation and Culture	206,963		
Roads		3,696,033	
Debt Service	1,416,674	1,903,620	532,485
Capital Projects	750,000		
Administration	2,081,150	210,397	24,260
Total Disbursements	<u>6,464,453</u>	<u>5,810,050</u>	<u>2,247,827</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(2,974,980)</u>	<u>(3,105,407)</u>	<u>(2,012,448)</u>
Other Adjustments to Cash (Uses)			
Change in Payroll Revolving Account	5,679		
Financing Obligation Proceeds	1,780,000	819,910	
Short-Term Bank Note Proceeds	450,000		
Financing Obligation Discounts	(33,342)		
Transfers From Other Funds	1,625,987	2,512,219	2,018,712
Transfers To Other Funds	(545,000)	(223,513)	
Total Other Adjustments to Cash (Uses)	<u>3,283,324</u>	<u>3,108,616</u>	<u>2,018,712</u>
Net Change in Fund Balance	308,344	3,209	6,264
Fund Balance - Beginning (Restated)	<u>48,919</u>	<u>1,939</u>	<u>177,169</u>
Fund Balance - Ending	<u>\$ 357,263</u>	<u>\$ 5,148</u>	<u>\$ 183,433</u>
Composition of Fund Balance			
Bank Balance	\$ 377,302	\$ 139,586	\$ 187,184
Plus: Deposits In Transit	45,000		
Less: Outstanding Checks	(96,009)	(134,438)	(3,751)
Plus: Payroll Cash Balance	30,970		
Fund Balance - Ending	<u>\$ 357,263</u>	<u>\$ 5,148</u>	<u>\$ 183,433</u>

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

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

Budgeted Funds					
Local Government Economic Assistance Fund	Community Development Block Grant Fund	Emergency Planning Fund	Water and Sewer Fund	Occupational Tax Fund	Coal Severance Fund
\$	\$	\$	\$	\$ 4,640,581	\$
1,896,892	994,565	7,684			1,502,730
137,492			592,700		
46,246			228	2,595	
592	80	15	106	619	216
<u>2,081,222</u>	<u>994,645</u>	<u>7,699</u>	<u>593,034</u>	<u>4,643,795</u>	<u>1,502,946</u>
		3,571		107,203	8,516
179,997					
504,344	748,903		699,966		37,329
236,855					
356,609					
172,988					
572,857			16,732		
	118,662				
139,947			46,240	28,908	
<u>2,163,597</u>	<u>867,565</u>	<u>3,571</u>	<u>762,938</u>	<u>136,111</u>	<u>45,845</u>
(82,375)	127,080	4,128	(169,904)	4,507,684	1,457,101
1,072,616			190,980		
<u>(1,035,483)</u>				<u>(4,219,000)</u>	<u>(1,376,538)</u>
37,133			190,980	<u>(4,219,000)</u>	<u>(1,376,538)</u>
(45,242)	127,080	4,128	21,076	288,684	80,563
158,894	93	4,514	2,122	53,284	646
<u>\$ 113,652</u>	<u>\$ 127,173</u>	<u>\$ 8,642</u>	<u>\$ 23,198</u>	<u>\$ 341,968</u>	<u>\$ 81,209</u>
\$ 138,478	\$ 127,173	\$ 8,642	\$ 40,356	\$ 343,814	\$ 81,209
(24,826)			2,385		
			(19,543)	(1,846)	
<u>\$ 113,652</u>	<u>\$ 127,173</u>	<u>\$ 8,642</u>	<u>\$ 23,198</u>	<u>\$ 341,968</u>	<u>\$ 81,209</u>

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

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

	Budgeted Funds			
	Federal Grants Fund	E-911 Fund	Public Properties Fund	AML Arrowwood Fund
RECEIPTS				
Taxes	\$	\$ 462,623	\$	\$
In Lieu Tax Payments				
Excess Fees				
Licenses and Permits				
Intergovernmental	31,226	220,475		
Charges for Services		185		
Miscellaneous				
Interest	35	123	39	
Total Receipts	31,261	683,406	39	
DISBURSEMENTS				
General Government				
Protection to Persons and Property		547,426		
General Health and Sanitation				
Social Services				
Recreation and Culture	25,225			15
Roads				
Debt Service				
Capital Projects				
Administration		152,650		
Total Disbursements	25,225	700,076		15
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	6,036	(16,670)	39	(15)
Other Adjustments to Cash (Uses)				
Change in Payroll Revolving Account				
Financing Obligation Proceeds				
Short-Term Bank Note Proceeds				
Financing Obligation Discounts				
Transfers From Other Funds		69,500		
Transfers To Other Funds			(30,000)	
Total Other Adjustments to Cash (Uses)		69,500	(30,000)	
Net Change in Fund Balance	6,036	52,830	(29,961)	(15)
Fund Balance - Beginning (Restated)	4,335	29,115	40,759	72
Fund Balance - Ending	\$ 10,371	\$ 81,945	\$ 10,798	\$ 57
Composition of Fund Balance				
Bank Balance	\$ 10,371	\$ 89,665	\$ 10,798	\$ 57
Plus: Deposits In Transit				
Less: Outstanding Checks		(7,720)		
Plus: Payroll Cash Balance				
Fund Balance - Ending	\$ 10,371	\$ 81,945	\$ 10,798	\$ 57

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

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

Budgeted Funds				Unbudgeted Fund	
ABC Fund	Sanitation Fund	State Grant Fund	AML Core Fund	Justice Center Corporation Fund	Total Funds
\$ 166,347	\$	\$	\$	\$	\$ 6,547,509
					11,217
					57,599
					412,741
	20,615	323,583	5,843,376	663,865	15,144,223
	118,719				1,069,668
		175,000			1,026,756
170	95	195		353	10,147
166,517	139,429	498,778	5,843,376	664,218	24,279,860
242,046		88,064			2,448,243
					2,429,328
	62,534				2,053,076
		4,844,848	1,298,528		236,855
					6,732,188
8,749				648,410	3,869,021
	21,956				5,099,527
	4,418	169		14,585	890,618
250,795	88,908	4,933,081	1,298,528	662,995	2,702,724
					26,461,580
(84,278)	50,521	(4,434,303)	4,544,848	1,223	(2,181,720)
147,863					5,679
					2,747,773
					450,000
					(33,342)
		4,544,848			12,034,862
(45,000)		(15,480)	(4,544,848)		(12,034,862)
102,863		4,529,368	(4,544,848)		3,170,110
18,585	50,521	95,065		1,223	988,390
3,829	32,516			24,173	582,379
\$ 22,414	\$ 83,037	\$ 95,065	\$ 0	\$ 25,396	\$ 1,570,769
\$ 67,414	\$ 92,988	\$ 95,065	\$	\$ 25,396	\$ 1,835,498
(45,000)	(9,951)				47,385
					(343,084)
					30,970
\$ 22,414	\$ 83,037	\$ 95,065	\$ 0	\$ 25,396	\$ 1,570,769

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

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TO THE FINANCIAL STATEMENT**

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**PERRY COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2020

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statement of Perry County includes all budgeted and unbudgeted funds under the control of the Perry 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 Perry County Ambulance Authority would have been included in the reporting entity under accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. However, under the regulatory basis, it is no longer a required component of the reporting entity. Audits of the following entities can be obtained from the Perry County Fiscal Court P.O. Box Drawer 210, Hazard, KY 41701 or the Perry County Ambulance Authority, Inc., 2264 North Main Street, Hazard, KY 41701.

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.

PERRY 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.

Community Development Block Grant (CDBG) Fund - The primary purpose of this fund is to account for grants and related disbursements. The primary source of receipts for this fund is the Community Development Block Grant, which is a federal grant.

Emergency Planning Fund - The primary purpose of this fund is to account for emergency planning expenses of the county. The primary sources of receipts for this fund are state grants.

Water and Sewer Fund - The primary purpose of this fund is to account for the water and sewer services in the county. The primary sources of receipts for this fund are customer payments.

Occupational Tax Fund - The primary purpose of this fund is to account for the occupational tax receipts collected.

Coal Severance Fund - The primary purpose of this fund is to account for assistance provided for community development and infrastructure throughout Perry County. The source of receipts for this fund is coal severance grants. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the general fund.

Federal Grants Fund - The primary purpose of this fund is to account for the federal receipts and disbursements related to federal grants.

E-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.

Public Properties Fund - The primary purpose of this fund is to account for receipts and disbursements related to financing projects not in direct control of the fiscal court. This is a fund that is not considered to be a public properties corporation fund.

AML Arrowwood Fund - The primary purpose of this fund is to account for federal funds associated with the Arrowwood water project.

PERRY 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)

ABC Fund - The primary purpose of this fund is to account for receipts and disbursements related to alcohol beverage control.

Sanitation Fund - The primary purpose of this fund is to account for receipts and disbursements related to operation of the sanitation district.

State Grant Fund - The primary purpose of this fund is to account for state receipts and disbursements related to state grants.

AML Core Fund - The primary purpose of this fund is to account for federal funds associated with the AML Core project.

Unbudgeted Funds

The fiscal court reports the following unbudgeted fund:

Justice Center Corporation Fund - The primary purpose of this fund is to account for the debt service payments. The Department for Local Government does not require the fiscal court to report or budget this fund.

D. Budgetary Information

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

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

E. Perry County Elected Officials

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

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

F. Deposits and Investments

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

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

G. Long-term Obligations

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

H. Joint Venture

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

H. Joint Venture (Continued)

Kentucky River Regional Jail

On October 1, 2005, Perry County and Knott County entered into an Interlocal Cooperation Agreement in order to provide for joint and cooperative action in the maintenance and financing of the Kentucky River Regional Jail. Pursuant to this interlocal agreement, Perry County financed the acquisition and construction of the Kentucky River Regional Jail. On November 1, 2007, the Perry County Fiscal Court issued \$4,975,000 of general obligation bonds to refund the Perry County Detention Center Bond issued in December 2001.

Pursuant to the lease and sublease, Perry County and Knott County covenant to meet their proportionate share of the debt service requirement on the bond as follows: 75 percent for Perry County and 25 percent for Knott County.

Note 2. Deposits

The fiscal court maintained deposits of public funds with federally insured banking institutions as required by the Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual*. The DLG Manual strongly recommends perfected pledges of securities covering all public funds except direct federal obligations and funds protected by federal insurance. In order to be perfected in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the fiscal court and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of the DLG *County Budget Preparation and State Local Finance Officer Policy Manual*. As of June 30, 2020, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Transfers

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

	General Fund	Road Fund	LGEA Fund	State Grant Fund	AML Core Fund	Occupational Tax Fund	Coal Severance Fund	Public Properties Corporation Fund	ABC Fund	Total Transfers In
General Fund	\$	\$ 223,513	\$ 585,000	\$	\$	\$ 768,000	\$ 4,474	\$	\$ 45,000	\$ 1,625,987
Road Fund	255,000		440,483			940,000	876,736			2,512,219
Jail Fund	240,000					1,613,000	135,712	30,000		2,018,712
LGEA Fund	30,000					683,000	359,616			1,072,616
State Grant Fund					4,544,848					4,544,848
Water and Sewer Fund	20,000		10,000	15,480		145,500				190,980
E911 Fund						69,500				69,500
Total Transfers Out	\$ 545,000	\$ 223,513	\$ 1,035,483	\$ 15,480	\$ 4,544,848	\$ 4,219,000	\$ 1,376,538	\$ 30,000	\$ 45,000	\$ 12,034,862

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

Note 3. Transfers (Continued)

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. Interfund Liabilities and Receivables

The table below reflects fund balances after accounting for receivables and liabilities that are not included on the financial statement prepared in accordance with the regulatory basis of accounting between the general fund and the local economic government assistance fund (LGEA).

	General	LGEA
Ending Fund Balance as of June 30, 2020	\$ 357,263	\$ 113,652
Interfund (Receivable) Liability-2015	(310,739)	310,739
Interfund (Receivable) Liability-2016	(316,609)	316,609
Transfers to LGEA- 2017	75,000	(75,000)
Transfers to LGEA- 2018	335,000	(335,000)
Transfers to LGEA- 2019	50,000	(50,000)
Transfers to LGEA-2020	30,000	(30,000)
	<u>30,000</u>	<u>(30,000)</u>
Total Fund Balance as of June 30, 2020	<u>\$ 219,915</u>	<u>\$ 251,000</u>

Note 5. Short-term Debt

A. Direct Borrowings

On July 26, 2019, the fiscal court entered into a short-term loan for \$450,000 with a local bank for operating purposes. The note had an interest rate of 4.2 percent with no designated monthly payment. The loan is set to mature on June 30, 2020. As of June 30, 2020, the balance was \$448,524.

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
Bank Notes	\$ 450,000	\$ 450,000	\$ 451,476	\$ 448,524	\$ 448,524
Total Short-term Debt	<u>\$ 450,000</u>	<u>\$ 450,000</u>	<u>\$ 451,476</u>	<u>\$ 448,524</u>	<u>\$ 448,524</u>

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

Note 6. Long-term Debt

A. Direct Borrowings and Direct Placements

1. Land Purchase And Demolition Refinancing

On May 13, 2009, the Perry County Justice Center Corporation entered into a capital lease agreement with the Kentucky Area Development District (KADD) Financing Trust, on behalf of the Administrative Office of the Courts (AOC) in the amount of \$1,910,000, for the purpose of refinancing a prior debt issue. Terms of the lease agreement stipulate a 12-year repayment schedule with semiannual interest payments and annual principal payments. The Perry County Justice Center Corporation and KADD are acting as an agent for AOC in order to plan, design, construct, manage, and maintain the justice building. The Perry County Justice Center Corporation and KADD expect annual rentals for use of the justice building to be in the full amount of the annual principal and interest requirements of this KADD lease. Under the terms of an additional use and sublease agreement, AOC has agreed to pay directly to the paying agent bank the use allowance payment as provided in the use and sublease agreement. The use and sublease agreement is renewable each year. The Perry County Justice Center Corporation and KADD are in reliance upon the use allowance payment in order to meet the debt service for the KADD lease. In case of default the amount outstanding may become due immediately and legal remedies may be pursued.

The use allowance payment has commenced prior to the occupancy of the justice building by AOC. AOC with the execution of the use and sublease agreement, has expressed its intention to continue to pay the full use allowance payment in each successive biennial budget period until May 2020, but the use and sublease agreement does not legally obligate AOC to do so.

This lease requires semiannual interest and principal payments to be made on October 20 and September 20 of each year, commencing on November 20, 2009. The agreement has a variable interest rate of 1.25 percent to 4.0 percent. As of June 30, 2020, the principal amount outstanding was \$345,000. Debt service requirements for the remaining years are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2021	\$ 170,000	\$ 16,558
2022	<u>175,000</u>	<u>9,590</u>
Totals	<u>\$ 345,000</u>	<u>\$ 26,148</u>

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

Note 6. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

2. Road Improvement

On November 12, 2010, the Perry County Fiscal Court entered into a \$2,000,000 lease agreement with KADD for the purpose of road improvements. This lease requires semiannual interest and principal payments be made on October 20 and May 20 of each year, commencing on May 20, 2011. The agreement had a variable interest rate of 2 percent to 4 percent. In case of default, the amount outstanding may become due immediately and legal remedies may be pursued. As of June 30, 2020, the principal amount outstanding was \$245,000. Debt service requirements for the remaining years are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2021	\$ 245,000	\$ 5,250
Totals	<u>\$ 245,000</u>	<u>\$ 5,250</u>

3. KIA Waterline Project

On November 1, 2015, the Perry County Fiscal Court entered into an agreement with the Kentucky Infrastructure Authority (KIA) for a loan in the amount of \$350,000, of which \$50,000 is forgivable over the life of the loan with a .75 percent interest rate. The project will include the installation of two new pump stations, several water meters, replacement of the telemetry at the Acup Tank; replacement of approximately 3,385 linear feet exposed service line, and a chlorine tester kit. A portion of the loan money will go towards debt to Knott County Water and Sewer district in the amount of \$158,000. In case of default, the amount outstanding may become due immediately and legal remedies may be pursued. During fiscal year 2020, the remaining proceeds from this loan were received and expended. As of June 30, 2020, \$50,000 of this loan has been forgiven leaving the principal balance to be paid during the term of the loan of \$300,000 with the first principal on interest payment commencing of June 1, 2019. As of June 30, 2020, the principal balance was \$264,910. Future principal and interest requirement are:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2021	\$ 14,221	\$ 1,960
2022	14,328	1,853
2023	14,435	1,746
2024	14,544	1,637
2025	14,653	1,528
2026-2030	74,934	5,972
2031-2035	77,793	3,115
2036-2037	<u>40,002</u>	<u>451</u>
Totals	<u>\$ 264,910</u>	<u>\$ 18,262</u>

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

Note 6. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

4. Detention Center Lease 2017E

On November 15, 2017, the Perry County Fiscal Court entered into a lease agreement with Kentucky Association of Counties in the amount of \$3,985,000 for the purpose of defeasing the general obligation refunding bonds, series 2007 and providing additional funding to support operations in the amount of \$3,985,000. The agreement requires monthly principal and interest payments to be paid in full on January 1, 2038. In case of default, the amount outstanding may become due immediately and legal remedies may be pursued. As of June 30, 2020, the principal amount outstanding was \$3,864,583. Debt service requirements for the remaining years are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2021	\$ 149,167	\$ 165,490
2022	157,083	157,659
2023	164,167	149,413
2024	172,084	140,794
2025	179,167	131,759
2026-2030	1,048,750	510,290
2031-2035	1,258,751	277,053
2036-2038	<u>735,414</u>	<u>54,105</u>
Totals	<u>\$ 3,864,583</u>	<u>\$ 1,586,563</u>

5. Detention Center Lease 2018D

On September 20, 2018, the Perry County Fiscal Court entered into a lease agreement with Kentucky Association of Counties in the amount of \$1,160,000 for the purpose of refinancing a bank note. The agreement requires monthly principal and interest payments to be paid in full on December 20, 2022. In the case of default, the amount outstanding may become due immediately and legal remedies may be pursued. As of June 30, 2020, the principal amount outstanding was \$722,500. Debt service requirements for the remaining years are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2021	\$ 272,500	\$ 40,941
2022	295,000	26,635
2023	<u>155,000</u>	<u>9,642</u>
Totals	<u>\$ 722,500</u>	<u>\$ 77,218</u>

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

Note 6. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

6. Mowers

On August 5, 2014, the Perry County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties in the amount of \$155,937 for the purchase of two mowers. The agreement requires variable monthly payments with an interest rate of 3.11 percent. In the case of default, the mowers are held as collateral. As of June 30, 2020, the principal amount outstanding was \$2,526. Debt service requirements for the remaining year are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2021	\$ 2,526	\$
Totals	<u>\$ 2,526</u>	<u>\$ 0</u>

7. Road Repairs

On October 22, 2015, the Perry County Fiscal Court entered into a lease agreement receiving \$2,485,000 in lease proceeds to finance the repair of roads and other expenditures related to flood damage. Lease principal and interest payments are due monthly beginning January 20, 2016. Interest accrues at a rate of 3 percent. In the case of default, the amount outstanding may become due immediately and legal remedies may be pursued. As of June 30, 2020, the remaining principal outstanding was \$1,457,000. Debt service requirements for the remaining years are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2021	\$ 247,500	\$ 43,725
2022	255,000	36,300
2023	262,500	28,650
2024	270,000	20,775
2025	280,000	12,675
2026	<u>142,500</u>	<u>4,275</u>
Totals	<u>\$ 1,457,500</u>	<u>\$ 146,400</u>

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

Note 6. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

8. Dajcor Project Lease 2020

On March 17, 2020, the county entered into a lease with the Kentucky Association of Counties Finance Corporation (KACo) in the amount of \$915,000. The proceeds of the lease were used to pay off the Kentucky Association of Counties lease in the amount of \$865,000 and to finance the acquisition, construction, installation, and equipping of facilities to be leased to Dajcor Aluminum, Inc. In the event of default KACO may take any of the following steps: (a) by appropriate court action, enforce the pledge set forth of this lease (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 of this lease. As of June 30, 2020, the principal balance of the lease agreement is \$915,000. Future principal and interest requirements are:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2021	\$ 38,750	\$ 24,610
2022	55,000	21,271
2023	55,000	20,171
2024	56,250	19,071
2025	60,000	17,946
2026-2030	311,250	70,805
2031-2035	338,750	30,520
	<u>\$ 915,000</u>	<u>\$ 204,394</u>

9. Vehicles

On December 11, 2019, the Perry County Fiscal Court entered into a financing agreement with the Kentucky Association of Counties in the amount of \$147,863 for the purchase of vehicles. The agreement requires variable monthly payments with an interest rate of 3.99 percent. In the case of default, the vehicles are held as collateral. As of June 30, 2020, the principal amount outstanding was \$124,705. Debt service requirements for the remaining years are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2021	\$ 48,397	\$ 4,097
2022	50,364	2,130
2023	25,944	303
	<u>\$ 124,705</u>	<u>\$ 6,530</u>

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

Note 6. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

10. Trucks

On April 29, 2020, the Perry County Fiscal Court entered into a financing agreement with the Kentucky Association of Counties in the amount of \$411,455 for the purchase of three dump trucks. The agreement requires monthly interest payments with obligation to be paid in full November 20, 2021 with an interest rate of 3.65 percent. In the case of default, the trucks will be held as collateral. As of June 30, 2020, the principal amount outstanding was \$411,455. Debt service requirements for the remaining years are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2021	\$	\$ 15,018
2022	<u>411,455</u>	<u>6,291</u>
	<u>\$ 411,455</u>	<u>\$ 21,309</u>

11. Truck

On February 1, 2019, the Perry County Fiscal Court entered into a financing agreement with the Kentucky Association of Counties in the amount of \$115,626 for the purchase of a dump truck. The agreement requires monthly interest payments with the obligation to be paid in full on August 1, 2020, with an interest rate of 3.95 percent. In the case of default, the truck is held as collateral. As of June 30, 2020, this loan was paid in full.

12. Trucks

On April 19, 2018, the Perry County Fiscal Court entered into a financing agreement with the Kentucky Association of Counties in the amount of \$284,869 for the purchase of two dump trucks. The agreement requires monthly interest payments with the obligation to be paid in full on July 1, 2019, with an interest rate of 3.95 percent. In the case of default, the trucks are held as collateral. As of June 30, 2020, this loan was paid in full.

13. Sheriff Vehicles

On September 17, 2015, the Perry County Fiscal Court entered into a lease agreement with Kentucky Association of Counties in the amount of \$80,000 for the purchase of two 2015 trucks for the Perry County Sheriff's office. The agreement requires variable yearly payments to be paid in full on December 20, 2019, with a variable interest rate. In the case of default, the trucks are held as collateral. The sheriff's office made the debt service payments. As of June 30, 2020, this loan was paid in full.

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

Note 6. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

14. Industrial Project

On September 9, 2019, the county entered into a lease with the Kentucky Association of Counties Finance Corporation (KACO) in the amount of \$865,000. The proceeds of this lease were used for the improvements to a facility to be leased to Dajcor Aluminum, Inc., for use in the manufacturing of aluminum. This lease was paid off with the proceeds from the Series B 2020 bond on March 17, 2020.

15. Trucks

On July 26, 2019, the fiscal court entered into a short-term loan in the amount of \$290,869, with KACO leasing for the purchase of trucks. The note has an interest rate of 4.25 percent with no designated monthly payment. The loan is set to mature on February 20, 2021. As of June 30, 2020, the balance was paid in full.

16. Trucks

On November 1, 2019, the fiscal court entered into a short-term loan in the amount of \$117,586 with KACO leasing for the purchase of trucks. The note has an interest rate of 3.99 percent with no designated monthly payment. The loan is set to mature on June 20, 2021. As of June 30, 2020, the balance was paid in full.

B. Other Debt

1. General Obligation Refunding Bonds, Series 2017

On November 1, 2017, the Perry County Fiscal Court issued \$2,500,000 of general obligation bonds for the purpose of assisting with the operating costs of the county. The bonds require semiannual interest and principal payments to be made in June and December of each year, commencing on June 1, 2019. The bonds will mature December 1, 2027. In case of default, the amount outstanding may become due immediately and legal remedies may be pursued. As of June 30, 2019, the principal amount outstanding was \$2,075,004. Debt service requirements for the remaining years are:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2021	\$ 225,292	\$ 76,728
2022	234,277	67,744
2023	243,620	58,401
2024	253,335	48,685
2025	263,438	38,582
2026-2028	<u>855,042</u>	<u>51,020</u>
Totals	<u>\$ 2,075,004</u>	<u>\$ 341,160</u>

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

Note 6. Long-term Debt (Continued)

B. Other Debt (Continued)

2. Revenue Refunding Bonds, Series 2012

On July 17, 2012, the Perry County Fiscal Court issued \$3,875,000 of revenue refunding bonds for the refinancing of the judicial center. The bonds require semiannual interest and principal payments to be made on October 1 and April 1 of each year, commencing on October 1, 2012. In case of default, the amount outstanding may become due immediately and legal remedies may be pursued. The agreement has a variable interest rate of 1 percent to 2.5 percent. The bonds will mature June 30, 2023. As of June 30, 2020, the principal amount outstanding was \$1,355,000. Debt service requirements for the remaining years are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 440,000	\$ 27,825
2022	450,000	17,250
2023	465,000	5,813
Totals	<u>\$ 1,355,000</u>	<u>\$ 50,888</u>

3. Industrial Building Revenue Bonds, Series 2019

On December 17, 2019, the Perry County Fiscal Court issued \$3,000,000 of industrial building revenue bonds to purchase the property for the Dajcor project. The fiscal court entered two agreements relating to this bond issue.

The first agreement is a Memorandum of Agreement (MOA) with Dajcor Aluminum Inc. This agreement with Dajcor states that the county will lease the site to Dajcor Aluminum Inc. for the project for an initial term of not less than 15 years, subject to renewals and extensions. Dajcor shall have the option to purchase the site at the end of year 15 for an amount equal to the county's total initial expenditures for the site acquisition and remodeling, less the state incentives obtained by the company and paid to the county during the occupancy period. If Dajcor's payments to the county equal the county's total cost, the site option price shall be \$1.

The second agreement is a mortgage security agreement with Hannah properties. As a condition to the purchase of the bonds, Hannah Properties required that the county enter into a mortgage security agreement equal to this bond. In this agreement the county assigns to Hannah Properties all its right, title and interest in the lease agreement and shall perform and comply with all obligations set forth in the lease agreement on its part to be performed, at the times and in the manner required thereby. Hannah Properties shall have the right to enforce the obligations of the tenant under the lease agreement as if it were the landlord thereunder; provided that, so long as no tenant event of default exists and is continuing thereunder, the rights of grantee hereunder shall be subordinate to tenants' rights under the lease agreement.

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

Note 6. Long-term Debt (Continued)

B. Other Debt (Continued)

3. Industrial Building Revenue Bonds, Series 2019 (Continued)

If an event of default, as defined in the lease agreement, shall occur, the principal of this bond then outstanding may, subject to certain limitations, be declared due and payable in the manner and with the effect provided by the lease agreement. As of June 30, 2020, the principal amount outstanding was \$2,949,458. Debt service payments are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 177,168	\$ 57,666
2022	180,738	54,096
2023	184,380	50,454
2024	188,095	46,739
2025	191,884	42,948
2026-2030	1,019,007	155,161
2031-2035	1,008,186	48,566
	<u>\$ 2,949,458</u>	<u>\$ 455,630</u>

C. Changes In Long-term Debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and					
Direct Placements	\$ 8,331,971	\$ 2,747,773	\$2,726,565	\$ 8,353,179	\$ 1,188,061
General Obligation Refunding	2,291,656		216,652	2,075,004	225,292
Industrial Revenue Bonds		3,000,000	50,542	2,949,458	177,168
Revenue Bonds	1,790,000		435,000	1,355,000	440,000
Total Long-term Debt	<u>\$ 12,413,627</u>	<u>\$ 5,747,773</u>	<u>\$ 3,428,759</u>	<u>\$14,732,641</u>	<u>\$ 2,030,521</u>

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

Note 6. Long-term Debt (Continued)

D. Aggregate Debt Schedule

The amount 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	\$ 842,460	\$ 162,219	\$ 1,188,061	\$ 317,649
2022	865,015	139,090	1,413,230	261,729
2023	893,000	114,668	677,046	209,925
2024	441,430	95,424	512,878	182,277
2025	455,323	213,871	533,820	163,908
2026-2030	1,874,049	121,531	1,577,434	591,342
2031-2035	1,008,185	875	1,675,294	310,688
2036-2038			775,416	54,556
Totals	<u>\$ 6,379,462</u>	<u>\$ 847,678</u>	<u>\$ 8,353,179</u>	<u>\$ 2,092,074</u>

Note 7. Employee Retirement System

The fiscal court has elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which is administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). This is a cost-sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Effective April 1, 2021, the Kentucky Public Pensions Authority (KPPA) was created by KRS 61.505 to provide staffing and daily administrative needs for CERS and KRS. The nine (9) member board of trustees is responsible for the governance of the CERS pension and insurance plans. The county's contribution for FY 2018 was \$767,151, FY 2019 was \$899,102 and FY 20 was \$896,874.

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.

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

Note 7. Employee Retirement System (Continued)

Nonhazardous (Continued)

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own accounts. Nonhazardous covered employees contribute 5 percent of their annual creditable compensation. Nonhazardous members also contribute 1 percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the KRS Board of Directors based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a 4 percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008, must meet the rule of 87 (member's age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

The county's contribution rate for nonhazardous employees was 24.06 percent.

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

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

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

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

Benefits are covered under KRS 78.5536.

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

Note 7. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

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

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

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

Tier 2 member benefits are covered by KRS 78.5536. Tier 3 members are not covered by the same provisions.

C. Cost of Living Adjustments - Tier 1

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

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

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

E. Death Benefit

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

KRS Annual Financial Report and Proportionate Share Audit Report

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

KPPA 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.

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

Note 8. Deferred Compensation

The Perry County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees, and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees' Deferred Compensation Authority at 501 High Street, 2nd Floor, Frankfort, KY 40601, or by telephone at (502) 573-7925.

Note 9. Health Reimbursement Account

The Perry County Fiscal Court established a flexible spending account on July 1, 2015, to provide employees an additional health benefit. The county has contracted with a third-party administrator to administer the plan. The plan provides \$2,500 for each individual plan and \$5,000 for a family. Employees may also contribute additional pre-tax funds through payroll deduction. The balance of the plan is \$230,531.

Note 10. Insurance

For the fiscal year ended June 30, 2020, the Perry 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 11. Related Party Transactions

During fiscal year ended June 30, 2020, the following related party transactions were noted:

- Auto parts and auto supplies were purchased from a company that is owned by a business partner of the Perry County Judge/Executive totaling \$26,664 for the year.
- Tires and tire services were procured from a company owned by a business partner of the Perry County Judge/Executive totaling \$53,190 for the year.
- Contract labor was procured from a company owned by a business partner of the Perry County Judge/Executive totaling \$18,059 for the year.

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

Note 12. Payroll Revolving Account

The change in the payroll revolving account as of June 30, 2020 of \$5,679, was added to the general fund cash balance for financial reporting purposes.

Note 13. Tax Abatement

During the fiscal year, the fiscal court entered into an agreement with Dajcor to bring a business into the county to manufacture aluminum. The agreement states the county is to purchase the property, make improvements to the property and lease the equipment to Dajcor. Beginning on January 1, 2024, Dajcor will be eligible to receive tax abatements due to the purpose of the business bringing incentives to the citizens of the county, pursuant to KRS 65.740(1). Dajcor is to make the bond payments based upon the KBI structure in the agreement. The project is in the preliminary stages with KBI; therefore, no abatements were made at this time.

Note 14. Conduit Debt

From time to time the county has issued bonds to provide financial assistance to others 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 Perry 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 15. Vicco Wastewater Treatment Plant

In March of 2015, the Perry County Fiscal Court took over operations of the Vicco Wastewater Treatment Plant. The plant has received several notices from the Kentucky Department for Environmental Protection for violations pertaining to the operations and maintenance of the facility as well as other noncompliance. As of June 30, 2020, these violations have not been resolved. Information on these violations may be obtained at the Perry County Fiscal Court or the Energy and Environment Cabinet, Department For Environmental Protection, Division of Water, 233 Birch St, Hazard, KY 41701.

Note 16. Prior Period Adjustments

The beginning balance of the sanitation fund was increased by \$32,516 due to the county taking over the sanitation district's financial accounting. The jail fund balance was increased by \$127,394 due to a debt service account that was omitted. The ABC fund balance was increased by \$76 due to prior year voided checks. The Local Government Economic Assistance fund balance was decreased by \$725 due to an error with a deposit in transit.

PERRY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2020

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PERRY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2020

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 1,440,000	\$ 1,441,651	\$ 1,277,958	\$ (163,693)
In Lieu Tax Payments			11,217	11,217
Excess Fees	58,000	58,000	57,599	(401)
Licenses and Permits	390,000	390,313	412,741	22,428
Intergovernmental	333,600	900,275	1,323,417	423,142
Charges for Services	49,500	120,864	220,572	99,708
Miscellaneous	141,660	285,112	182,998	(102,114)
Interest	500	500	2,971	2,471
Total Receipts	2,413,260	3,196,715	3,489,473	292,758
DISBURSEMENTS				
General Government	1,547,890	2,189,387	1,998,843	190,544
Protection to Persons and Property	17,300	17,300	10,823	6,477
Recreation and Culture	72,000	206,963	206,963	
Debt Service		26,300	1,416,674	(1,390,374)
Capital Projects			750,000	(750,000)
Administration	2,188,720	2,085,562	2,081,150	4,412
Total Disbursements	3,825,910	4,525,512	6,464,453	(1,938,941)
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,412,650)	(1,328,797)	(2,974,980)	(1,646,183)
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds			1,780,000	1,780,000
Bond Discount			(33,342)	(33,342)
Short-Term Bank Note Proceeds			450,000	450,000
Transfers From Other Funds	1,362,650	1,362,650	1,625,987	263,337
Transfers To Other Funds			(545,000)	(545,000)
Total Other Adjustments to Cash (Uses)	1,362,650	1,362,650	3,277,645	1,914,995
Net Change in Fund Balance	(50,000)	33,853	302,665	268,812
Fund Balance - Beginning	50,000	50,000	48,919	(1,081)
Fund Balance - Ending	\$ 0	\$ 83,853	\$ 351,584	\$ 267,731

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

	ROAD FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 1,539,620	\$ 2,023,062	\$ 2,204,163	\$ 181,101
Miscellaneous	283,000	291,077	499,715	208,638
Interest	1,000	1,000	765	(235)
Total Receipts	1,823,620	2,315,139	2,704,643	389,504
DISBURSEMENTS				
Roads	1,326,000	3,781,609	3,696,033	85,576
Debt Service	429,907	1,142,740	1,903,620	(760,880)
Administration	224,568	224,568	210,397	14,171
Total Disbursements	1,980,475	5,148,917	5,810,050	(661,133)
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(156,855)	(2,833,778)	(3,105,407)	(271,629)
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds			819,910	819,910
Transfers From Other Funds	136,855	136,855	2,512,219	2,375,364
Transfers To Other Funds			(223,513)	(223,513)
Total Other Adjustments to Cash (Uses)	136,855	136,855	3,108,616	2,971,761
Net Change in Fund Balance	(20,000)	(2,696,923)	3,209	2,700,132
Fund Balance - Beginning	20,000	20,000	1,939	(18,061)
Fund Balance - Ending	\$ 0	\$ (2,676,923)	\$ 5,148	\$ 2,682,071

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

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 156,500	\$ 173,099	\$ 111,632	\$ (61,467)
Miscellaneous	199,782	199,782	119,974	(79,808)
Interest	100	100	3,773	3,673
Total Receipts	356,382	372,981	235,379	(137,602)
DISBURSEMENTS				
Protection to Persons and Property	1,526,072	1,691,083	1,691,082	1
Debt Service	579,128	554,903	532,485	22,418
Administration	242,303	118,116	24,260	93,856
Total Disbursements	2,347,503	2,364,102	2,247,827	116,275
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,991,121)	(1,991,121)	(2,012,448)	(21,327)
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,986,121	1,986,121	2,018,712	32,591
Total Other Adjustments to Cash (Uses)	1,986,121	1,986,121	2,018,712	32,591
Net Change in Fund Balance	(5,000)	(5,000)	6,264	11,264
Fund Balance - Beginning (Restated)	5,000	5,000	177,169	172,169
Fund Balance - Ending	\$ 0	\$ 0	\$ 183,433	\$ 183,433

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

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,093,100	\$ 1,557,962	\$ 1,896,892	\$ 338,930
Charges for Services	135,000	136,156	137,492	1,336
Miscellaneous	16,000	16,880	46,246	29,366
Interest	1,000	1,000	592	(408)
Total Receipts	1,245,100	1,711,998	2,081,222	369,224
DISBURSEMENTS				
Protection to Persons and Property	146,568	192,951	179,997	12,954
General Health and Sanitation	297,540	590,204	504,344	85,860
Social Services	182,500	238,756	236,855	1,901
Recreation and Culture	156,000	369,890	356,609	13,281
Roads	265,000	251,367	172,988	78,379
Debt Service	597,690	597,690	572,857	24,833
Administration	376,358	181,589	139,947	41,642
Total Disbursements	2,021,656	2,422,447	2,163,597	258,850
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(776,556)	(710,449)	(82,375)	628,074
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	751,556	751,556	1,072,616	321,060
Transfers To Other Funds			(1,035,483)	(1,035,483)
Total Other Adjustments to Cash (Uses)	751,556	751,556	37,133	(714,423)
Net Change in Fund Balance	(25,000)	41,107	(45,242)	(86,349)
Fund Balance - Beginning (Restated)	25,000	158,893	158,894	1
Fund Balance - Ending	\$ 0	\$ 200,000	\$ 113,652	\$ (86,348)

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

COMMUNITY DEVELOPMENT BLOCK GRANT FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$	\$ 5,232,338	\$ 994,565	\$ (4,237,773)
Interest			80	80
Total Receipts		5,232,338	994,645	(4,237,693)
DISBURSEMENTS				
General Health and Sanitation	93	748,904	748,903	1
Capital Projects		118,663	118,662	1
Total Disbursements	93	867,567	867,565	2
Net Change in Fund Balance	(93)	4,364,771	127,080	(4,237,691)
Fund Balance - Beginning	93	93	93	
Fund Balance - Ending	\$ 0	\$ 4,364,864	\$ 127,173	\$ (4,237,691)

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

EMERGENCY PLANNING FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$	\$	\$ 7,684	\$ 7,684
Interest			15	15
Total Receipts			7,699	7,699
DISBURSEMENTS				
General Government	9,000	9,358	3,571	5,787
Total Disbursements	9,000	9,358	3,571	5,787
Net Change in Fund Balance	(9,000)	(9,358)	4,128	13,486
Fund Balance - Beginning	9,000	9,358	4,514	(4,844)
Fund Balance - Ending	\$ 0	\$ 0	\$ 8,642	\$ 8,642

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

WATER AND SEWER FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Charges for Services	\$ 590,000	\$ 590,000	\$ 592,700	\$ 2,700
Miscellaneous		237	228	(9)
Interest	500	500	106	(394)
Total Receipts	590,500	590,737	593,034	2,297
DISBURSEMENTS				
General Health and Sanitation	711,692	705,785	699,966	5,819
Debt Service	16,733	16,733	16,732	1
Administration	40,333	46,477	46,240	237
Total Disbursements	768,758	768,995	762,938	6,057
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(178,258)	(178,258)	(169,904)	8,354
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	168,258	168,258	190,980	22,722
Total Other Adjustments to Cash (Uses)	168,258	168,258	190,980	22,722
Net Change in Fund Balance	(10,000)	(10,000)	21,076	31,076
Fund Balance - Beginning	10,000	10,000	2,122	(7,878)
Fund Balance - Ending	\$ 0	\$ 0	\$ 23,198	\$ 23,198

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

OCCUPATIONAL TAX FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 4,500,000	\$ 4,500,000	\$ 4,640,581	\$ 140,581
Miscellaneous			2,595	2,595
Interest	5,000	5,000	619	(4,381)
Total Receipts	4,505,000	4,505,000	4,643,795	138,795
DISBURSEMENTS				
General Government	80,000	107,205	107,203	2
Administration	23,977	28,908	28,908	
Total Disbursements	103,977	136,113	136,111	2
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	4,401,023	4,368,887	4,507,684	138,797
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	(4,426,023)	(4,426,023)	(4,219,000)	207,023
Total Other Adjustments to Cash (Uses)	(4,426,023)	(4,426,023)	(4,219,000)	207,023
Net Change in Fund Balance	(25,000)	(57,136)	288,684	345,820
Fund Balance - Beginning	25,000	53,283	53,284	1
Fund Balance - Ending	\$ 0	\$ (3,853)	\$ 341,968	\$ 345,821

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

COAL SEVERANCE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 2,134,916	\$ 2,134,916	\$ 1,502,730	\$ (632,186)
Interest	500	500	216	(284)
Total Receipts	2,135,416	2,135,416	1,502,946	(632,470)
DISBURSEMENTS				
General Government	2,137,916	8,516	8,516	
General Health and Sanitation		37,329	37,329	
Total Disbursements	2,137,916	45,845	45,845	
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(2,500)	2,089,571	1,457,101	(632,470)
Other Adjustments to Cash (Uses)				
Transfers To Other Funds			(1,376,538)	(1,376,538)
Total Other Adjustments to Cash (Uses)			(1,376,538)	(1,376,538)
Net Change in Fund Balance	(2,500)	2,089,571	80,563	(2,009,008)
Fund Balance - Beginning	2,500	2,500	646	(1,854)
Fund Balance - Ending	\$ 0	\$ 2,092,071	\$ 81,209	\$ (2,010,862)

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

FEDERAL GRANTS FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$	\$ 31,226	\$ 31,226	\$
Interest			35	35
Total Receipts		31,226	31,261	35
DISBURSEMENTS				
Recreation and Culture		35,561	25,225	10,336
Total Disbursements		35,561	25,225	10,336
Net Change in Fund Balance		(4,335)	6,036	10,371
Fund Balance - Beginning		4,335	4,335	
Fund Balance - Ending	\$ 0	\$ 0	\$ 10,371	\$ 10,371

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

E-911 FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 450,000	\$ 450,000	\$ 462,623	\$ 12,623
Intergovernmental	210,000	210,000	220,475	10,475
Charges for Services			185	185
Interest	500	500	123	(377)
Total Receipts	660,500	660,500	683,406	22,906
DISBURSEMENTS				
Protection to Persons and Property	469,000	547,429	547,426	3
Administration	237,083	162,769	152,650	10,119
Total Disbursements	706,083	710,198	700,076	10,122
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(45,583)	(49,698)	(16,670)	33,028
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	20,583	20,583	69,500	48,917
Total Other Adjustments to Cash (Uses)	20,583	20,583	69,500	48,917
Net Change in Fund Balance	(25,000)	(29,115)	52,830	81,945
Fund Balance - Beginning	25,000	29,115	29,115	
Fund Balance - Ending	\$ 0	\$ 0	\$ 81,945	\$ 81,945

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

PUBLIC PROPERTIES FUND			
	Budgeted Amounts		Variance with
	Original	Final	Final Budget Positive (Negative)
RECEIPTS			
Interest	\$	\$	\$ 39
Total Receipts			39
DISBURSEMENTS			
Debt Service	1,000	1,000	1,000
Administration		39,758	39,758
Total Disbursements	1,000	40,758	40,758
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,000)	(40,758)	39
Other Adjustments to Cash (Uses)			
Transfers To Other Funds			(30,000)
Total Other Adjustments to Cash (Uses)			(30,000)
Net Change in Fund Balance	(1,000)	(40,758)	(29,961)
Fund Balance - Beginning	1,000	40,758	40,759
Fund Balance - Ending	\$ 0	\$ 0	\$ 10,798

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

	AML ARROWWOOD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Total Receipts	\$	\$	\$	\$
DISBURSEMENTS				
Recreation and Culture		72	15	57
Total Disbursements		72	15	57
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		(72)	(15)	57
Net Change in Fund Balance		(72)	(15)	57
Fund Balance - Beginning		72	72	
Fund Balance - Ending	\$ 0	\$ 0	\$ 57	\$ 57

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

	ABC FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$	\$ 58,697	\$ 166,347	\$ 107,650
Interest			170	170
Total Receipts		58,697	166,517	107,820
DISBURSEMENTS				
General Government		253,776	242,046	11,730
Debt Service		8,750	8,749	1
Total Disbursements		262,526	250,795	11,731
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		(203,829)	(84,278)	119,551
Other Adjustments to Cash (Uses)				
KACO Lease Proceeds			147,863	147,863
Transfers To Other Funds			(45,000)	(45,000)
Total Other Adjustments to Cash (Uses)			102,863	102,863
Net Change in Fund Balance		(203,829)	18,585	222,414
Fund Balance - Beginning (Restated)		3,829	3,829	
Fund Balance - Ending	\$ 0	\$ (200,000)	\$ 22,414	\$ 222,414

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

SANITATION FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$	\$	\$ 20,615	\$ 20,615
Charges for Services			118,719	118,719
Interest			95	95
Total Receipts			139,429	139,429
DISBURSEMENTS				
General Health and Sanitation		62,649	62,534	115
Capital Projects		13,350	21,956	(8,606)
Administration		4,001	4,418	(417)
Total Disbursements		80,000	88,908	(8,908)
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		(80,000)	50,521	130,521
Net Change in Fund Balance		(80,000)	50,521	130,521
Fund Balance - Beginning (Restated)			32,516	32,516
Fund Balance - Ending	\$ 0	\$ (80,000)	\$ 83,037	\$ 163,037

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

	STATE GRANT FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$	\$ 315,479	\$ 323,583	\$ 8,104
Miscellaneous			175,000	175,000
Interest			195	195
Total Receipts		315,479	498,778	183,299
DISBURSEMENTS				
General Government		315,479	88,064	227,415
Recreation and Culture			4,844,848	(4,844,848)
Administration			169	(169)
Total Disbursements		315,479	4,933,081	(4,617,602)
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)				
			(4,434,303)	(4,434,303)
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			4,544,848	4,544,848
Transfers To Other Funds			(15,480)	(15,480)
Total Other Adjustments to Cash (Uses)			4,529,368	4,529,368
Net Change in Fund Balance				
Fund Balance - Beginning			95,065	95,065
Fund Balance - Ending	\$ 0	\$ 0	\$ 95,065	\$ 95,065

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

AML CORE FUND			
	Budgeted Amounts		Variance with
	Original	Final	Actual Amounts, (Budgetary Basis) Final Budget Positive (Negative)
RECEIPTS			
Intergovernmental	\$	\$ 1,298,528	\$ 5,843,376 \$ 4,544,848
Total Receipts		1,298,528	5,843,376 4,544,848
DISBURSEMENTS			
Recreation and Culture		5,078,540	1,298,528 3,780,012
Total Disbursements		5,078,540	1,298,528 3,780,012
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		(3,780,012)	4,544,848 8,324,860
Other Adjustments to Cash (Uses)			
Transfers To Other Funds			(4,544,848) (4,544,848)
Total Other Adjustments to Cash (Uses)			(4,544,848) (4,544,848)
Net Change in Fund Balance		(3,780,012)	3,780,012
Fund Balance - Beginning			
Fund Balance - Ending	\$ 0	\$ (3,780,012)	\$ 0 \$ 3,780,012

PERRY 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. Reconciliation of the General Fund

The *Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis* differs from the *Budgetary Comparison Schedule* for the general fund due to the June 30, 2020 reconciled balance of the payroll revolving account of \$5,679 being added to the general fund cash balance for financial reporting purposes. The changes were as follows:

<u>Reconciliation of the General Fund</u>	
Total Other Adjustments to Cash - Budgetary Basis	\$ 3,277,645
To adjust for Change in Payroll Revolving Account	<u>5,679</u>
Total Other Adjustments to Cash - Regulatory Basis	<u>\$ 3,283,324</u>
 Fund Balance Ending - Budgetary Basis	 \$ 351,584
To adjust for Change in Payroll Revolving Account	<u>5,679</u>
Total Fund Balance - Regulatory Basis	<u>\$ 357,263</u>

Note 3. Excess of Disbursements Over Appropriations

General fund debt service and capital projects line items exceeded budgeted appropriations by \$1,390,374 and \$750,000, respectively. The road fund debt service line item exceeded budgeted appropriations by \$760,880. The state grant fund recreation and culture and administration line items exceeded budget appropriations by \$4,844,848 and \$169, respectively. The sanitation fund capital projects and administration line items exceeded budget appropriations by \$8,606 and \$417, respectively.

PERRY COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2020

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PERRY 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
<u>U. S. Department of Housing & Urban Development</u>				
<i>Passed-Through Kentucky Department for Local Government:</i>				
Community Development Block Grant				
Sykes Building Renovation Project	14.228	19-051	\$ _____	\$ 76,515
Total U.S. Department of Housing & Urban Development			_____	76,515
<u>Appalachian Regional Commission</u>				
<i>Passed-Through Kentucky Department for Local Government:</i>				
Appalachian Regional Development				
Galen Nursing Program	23.001	KY-18615-C1-17		88,064
Appalachian Area Development				
KY 80 476 Interconnector Project	23.002	KY-19764-302-19		15,000
Vicco WWTP & Collection System	23.002	KY-19926-302-19		15,000
Sykes Building Renovation Project	23.002	KY-19830-302-20		42,147
East Perry Commercial Development Project	23.002	KY-19064-302-18	_____	748,903
Total Appalachian Regional Commission			_____	909,114
<u>U. S. Department of Interior</u>				
<i>Passed-Through Kentucky Division of Abandoned Mine Lands:</i>				
Abandoned Mine Land Reclamation				
Project Core AML Pilot Drone Port Project	15.252	SC-128-2000000267		25,225
Project Core AML Pilot Project DAJCOR	15.252	SC-128-2000000267	_____	5,843,376
Total U.S. Department of the Interior			_____	5,868,601
<u>U. S. Department of Defense</u>				
<i>Passed-Through US Army Corp of Engineers:</i>				
Southern and Eastern KY Environmental Infrastructure (Section 531)-ARRA				
Vicco WWTP & Collection System	12.127	531 - P2 461639	_____	18,938
Total U.S. Department of Defense			_____	18,938

The accompanying notes are an integral part of this schedule.

PERRY COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2020
(Continued)

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity's Identifying Number	Provided to Subrecipient	Total Federal Expenditures
<u>U. S. Department of the Treasury</u>				
<i>Passed-Through Kentucky Department for Local Government:</i>				
COVID-19 - Coronavirus Relief Fund	21.019		\$	\$ 508,927
Total U.S. Department of the Treasury				508,927
<u>U. S. Department of Homeland Security</u>				
<i>Passed-Through Kentucky Department of Military Affairs:</i>				
Disaster Grants - Public Assistance				
Hazard Mitigation Grant Program	97.036	DR 4358		123,933
Hazard Mitigation Grant Program	97.036	DR 4428		38,021
Hazard Mitigation Grant Program	97.036	DR 4540		45,943
Total U.S. Department of Homeland Security				207,897
Total Expenditures of Federal Awards			\$ 0	\$ 7,589,992

The accompanying notes are an integral part of this schedule.

PERRY 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 Perry 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 Perry County, Kentucky, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Perry 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

Perry County has not adopted an indirect cost rate and has elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

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PERRY COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2020

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PERRY 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	\$ 3,068,106	\$	\$	\$ 3,068,106
Building and Improvements	16,514,683			16,514,683
Machinery, Vehicles and Equipment	4,614,411	166,738	307,848	4,473,301
Infrastructure	20,944,486			20,944,486
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Capital Assets	<u>\$ 45,141,686</u>	<u>\$ 166,738</u>	<u>\$ 307,848</u>	<u>\$ 45,000,576</u>

PERRY 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	\$ 12,500	10-60
Buildings	25,000	10-75
Building Improvements	25,000	10-75
Machinery and Equipment	5,000	5-15
Office Furniture and Equipment	5,000	3-5
Vehicles	5,000	5-7
Infrastructure	20,000	2-50

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable , Scott Alexander County Judge/Executive
Members of the Perry 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 Perry County Fiscal Court for the fiscal year ended June 30, 2020, and the related notes to the financial statement which collectively comprise the Perry County Fiscal Court's financial statement and have issued our report thereon dated August 23, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Perry 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 Perry County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Perry 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 have not been 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, 2020-006, 2020-007, 2020-008, 2020-009, 2020-011, 2020-0012, and 2020-014 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 2020-002, 2020-004, 2020-005, 2020-010, 2020-013, 2020-015, and 2020-016 to be significant deficiencies.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Perry 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 2020-002, 2020-003, 2020-004, 2020-006, 2020-007, 2020-008, 2020-010, 2020-011, 2020-012, 2020-013, 2020-014, 2020-015, and 2020-016.

Views of Responsible Official and Planned Corrective Action

Perry 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,

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

Mike Harmon
Auditor of Public Accounts

August 23, 2022

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

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Scott Alexander, County Judge/Executive
Members of the Perry County Fiscal Court

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

Independent Auditor's Report

Report on Compliance for Each Major Federal Program

We have audited the Perry 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 Perry County Fiscal Court's major federal programs for the year ended June 30, 2020. The Perry 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 Perry 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 Perry 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 Perry County Fiscal Court's compliance.

Opinion on Each Major Federal Program

In our opinion, the Perry 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 Compliance For Each Major Federal Program
And Report On Internal Control Over Compliance
In Accordance With The Uniform Guidance
(Continued)

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2020-017. Our opinion on each major federal program is not modified with respect to these matters.

Perry County Fiscal Court's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Perry County Fiscal Court's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the Perry 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 Perry 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 to determine the auditing 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 Perry 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 a 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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,

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

Mike Harmon
Auditor of Public Accounts

August 23, 2022

PERRY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended June 30, 2020

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PERRY 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 the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: 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 type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Type of auditor's report issued on compliance for major federal programs: <i>Unmodified</i>		
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>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
23.002	Appalachian Area Development - East Perry Commercial Development Project
15.252	Abandoned Mine Land Reclamation - Project Core AML Pilot Project DAJCOR

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

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

Section II: Financial Statement Findings

2020-001 The Perry County Fiscal Court Failed To Provide Adequate Oversight Over All Accounting And Financial Management Practices

This is a repeat finding and was included in the prior year audit report as finding 2019-001. The fiscal court lacks segregation of duties and compensating controls over an extensive number of accounting and reporting functions. Numerous deficiencies were noted in the county's internal control structure over their financial management practices, which resulted in numerous and pervasive audit deficiencies as listed below:

- The Perry County Fiscal Court Did Not Amend Its Budget To Reflect The Transfer Of The Financial Management Activities Of The Sanitation District No. 1 Of Perry County
- The Treasurer Did Not Prepare An Annual Settlement In Accordance With KRS 68.020
- The Perry County Fiscal Court Did Not Obtain Proper Approval For All Budget Amendments
- The Perry County Fiscal Court Did Not Properly Reconcile The Payroll Revolving Account
- The Perry County Fiscal Court Did Not Maintain Adequate Internal Controls Over Cash, Receipts, And The Reporting Process
- The Perry County Fiscal Court Failed To Properly Disclose Debt On The Quarterly Financial Report
- The Perry County Fiscal Court Did Not Properly Budget For And Record All Debt-Related Disbursements
- The Perry County Fiscal Court Failed To Maintain Proper Accounting Records For The Justice Center Corporation Fund
- The Perry County Fiscal Court Failed To Make Continuing Financial Disclosures Required By Bond Agreements
- The Perry County Fiscal Court Obtained Financing In The Form Of A Promissory Note That Exceeds The Allowable Term Permitted
- The Perry County Fiscal Court's Disbursements Exceeded Approved Budgeted Appropriations
- The Perry County Fiscal Court Failed To Implement Controls Over Payroll Process And Approve Pay Rates For County Employees On An Annual Basis
- The Perry County Fiscal Court Failed To Implement Proper Internal Controls Over Disbursements
- The Treasurer Did Not Report Accurate Encumbrances On The Fourth Quarter Report
- The Perry County Fiscal Court Did Not Comply With Competitive Bidding Requirements

The lack of oversight of county personnel by the county judge/executive and fiscal court creates an environment where the accounting and reporting functions of the county go unchecked.

A limited budget places restrictions on the number of employees the fiscal court can hire. When faced with limited number of staff, strong compensating controls should have been in place to offset the lack of segregation of duties. A lack of oversight could result in misappropriation of assets and inaccurate financial reporting to external agencies such as the Department for Local Government, which could occur but go undetected.

A segregation of duties over various accounting functions, such as opening mail, collecting receipts, preparing bank deposits, preparing reports and reconciliations, or the implementation of compensating controls, when needed because the number of staff is limited, is essential for providing protection from asset misappropriation and/or inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities. Furthermore, proper supervision helps to reduce risks associated with inaccurate financial reporting and accounting.

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

Section II: Financial Statement Findings (Continued)

2020-001 The Perry County Fiscal Court Failed To Provide Adequate Oversight Over All Accounting And Financial Management Practices (Continued)

We recommend the fiscal court segregate duties and implement strong oversight over receipts, disbursements, bank reconciliation processes, and reporting. If segregation of duties is not possible, then the fiscal court should continue to implement compensating controls by monitoring the financial activities of the fiscal court and continue to document this review.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: Internal controls have been implemented and more staff members review financial documents/reporting in order to decrease the likelihood of errors.

2020-002 The Perry County Fiscal Court Did Not Amend Its Budget To Reflect The Transfer Of The Financial Management Activities Of The Sanitation District No. 1 Of Perry County

During the fiscal year, the Sanitation District No. 1 of Perry County and the Perry County Fiscal Court agreed that the fiscal court would take over the financial accounting of the sanitation district. Once the county started maintaining these bank accounts, the county treasurer included the maintenance and operation account on the fourth quarter financial statement. This was not a budgeted fund of the county and no amendment to the budget was prepared to include this fund. The county treasurer did not include \$138,744 of receipts to the fourth quarter financial statement therefore showing the sanitation fund in a deficit of \$64,001.

Per the minutes of the fiscal court, the county would receive all the funds and the sanitation district would approve the expenditures before the treasurer wrote the check. However, the fiscal court added these claims to the claims list and the fiscal court approved these claims. Once the claims were approved the county treasurer and county judge/executive would sign the checks. Therefore, no documented oversight from the sanitation board was obtained for these expenditures. The county judge/executive, county treasurer, fiscal court members, and the sanitation district board members have not determined how the sanitation fund should operate, causing inconsistency in how claims were approved and paid during the audit period. In addition, no documented oversight and review procedures were in place to ensure funds were expended for their intended purpose.

The fiscal court did not follow guidelines set forth by the Department for Local Government (DLG) for handling public funds. In addition, the sanitation district did not document they approved bills prior to the fiscal court voting on them to be paid by the county treasurer. The resulting effect is neither entity complied with their given mandates and created confusion to the taxpayer on the responsibilities of each entity.

The Department for Local Government (DLG), under the authority of KRS 68.210, gives the state local finance officer the authority to prescribe minimum requirements for handling public funds. According to the *County Budget Preparation and State Local Finance Officer Policy Manual*, the uniform system of accounts requires the original budget and amendments to agree to the quarterly reports. In addition, KRS 68.240 defines the duties of fiscal court as, "(1) The 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. The proposed budget shall be classified into budget units as outlined in subsection (2) of this section. In addition to preparing a reasonable estimate of the funds actually needed for both general and special purposes, the county judge/executive shall prepare an estimated statement of receipts to be anticipated from local, state and federal sources. The county judge/executive shall submit the proposed budget and estimate of receipts to the fiscal court by May 1 of each year." Lastly, good internal controls require documented policies and procedures to be put in place to ensure sufficient oversight and administration of all county funds.

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

Section II: Financial Statement Findings (Continued)

2020-002 The Perry County Fiscal Court Did Not Amend Its Budget To Reflect The Transfer Of The Financial Management Activities Of The Sanitation District No. 1 Of Perry County (Continued)

We recommend the fiscal court seek written guidance from the county attorney and the Department for Local Government to determine any and all legal ramifications of taking over the financial duties of a wholly separate entity. In addition, we recommend the fiscal court properly budget and account for any and all monies received and deposited into the custody of the fiscal court.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: The fiscal court will amend its budget to reflect all financial changes in the future. New treasurer was unaware that it had not been performed.

2020-003 The Treasurer Did Not Prepare An Annual Settlement In Accordance With KRS 68.020

This is a repeat finding and was included in the prior year audit report as finding 2019-002. The county treasurer did not present a treasurer's settlement to the fiscal court for approval at the end of the fiscal year in accordance with KRS 68.020. The situation occurred due to lack of management oversight regarding reporting requirements. Failure to obtain fiscal court approval of the treasurer's settlement creates a situation where the public is not informed of the availability of public records and where to obtain them and violates Kentucky Revised Statutes.

KRS 68.020 requires the treasurer to present an annual financial settlement to the fiscal court within 30 days of the end of the fiscal year.

We recommend the treasurer prepare and present a treasurer's settlement as required by KRS 68.020.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: Going forward, the treasurer will prepare and present an annual treasurer's settlement as required.

2020-004 The Perry County Fiscal Court Did Not Obtain Proper Approval For All Budget Amendments

The fiscal court did not obtain proper approval for all budget amendments. On April 30, 2020, the fiscal court approved the first reading to amend the budget in the amount of \$1,169,986 for Appalachian Regional Commission funds that were received. However, the fiscal court did not obtain a second reading of the budget amendment and approval from the Department for Local Government. Therefore, this budget amendment will not be shown on the financial statement in the audit report, since this is not an allowable and appropriate amendment to the budget.

The county judge/executive, county treasurer and fiscal court members were aware the funds should have been amended to the budget. It appears to have been an oversight that was not detected by adequate review and oversight procedures. Failing to amend the budget resulted in noncompliance with the applicable statute. Further, the county spent \$1,169,986 of CDBG funds that were never properly approved and allocated to be spent.

KRS 68.240(1) states, "[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."

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

Section II: Financial Statement Findings (Continued)

2020-004 The Perry County Fiscal Court Did Not Obtain Proper Approval For All Budget Amendments (Continued)

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." We recommend the fiscal court ensure all funds are properly budgeted or prepare budget amendments if necessary, to amend funds into the county's budget.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: Going forward, all budget changes will be submitted for amendment following all DLG guidelines. New treasurer was unaware that the approval had not been obtained.

2020-005 The Perry County Fiscal Court Did Not Properly Reconcile The Payroll Revolving Account

This is a repeat finding and was included in the prior year audit report as finding 2019-010. The reconciliation for the payroll revolving account was not reconciled completely and was inaccurate. The county failed to take into account outstanding liabilities of \$43,530 that should be taken into consideration for an accurate reconciliation of a revolving account. The payroll account had a reconciled balance of \$30,970 that will be included in the general fund ending balance.

The lack of oversight and internal controls resulted in the situation described. The balance as noted above results in there being an overage of funds that the county could have utilized elsewhere.

The payroll revolving account is a clearing account and should be reconciled to a zero balance, or set amount, at the end of each pay period. Therefore, only the exact amount needed to cover payroll expenditures should be transferred to the payroll account.

We recommend the county treasurer transfer to the general fund or other fund as deemed appropriate to reduce the excess funds from the revolving accounts. In the future, the county treasurer should only transfer enough funds to meet payroll obligations each pay period. We further recommend, the county treasurer maintain written documentation of the reconciliation between the transfer checks written to the payroll accounts and the payroll register to ensure accurate amounts are transferred to the payroll accounts each pay period.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: The payroll revolving account will be/is properly reconciled monthly. Only payroll obligations are transferred into the payroll fund and all reconciliations are recorded and maintained.

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

Section II: Financial Statement Findings (Continued)

2020-006 The Perry County Fiscal Court Did Not Maintain Adequate Internal Controls Over Cash, Receipts, And The Reporting Process

This is a repeat finding and was included in the prior year audit report as finding 2019-007. The county lacks proper internal controls over the cash, receipt, and reporting functions. We noted the following:

- There is no documented evidence of the review of bank reconciliations, bank statements, and deposits by someone independent of the recording and reporting functions.
- The fourth quarter report and bank reconciliations were incorrect.
- Monies owed to the road fund from the jail fund due to an occurrence in the fiscal year ending June 30, 2018 that has not been remedied. As a result, the jail fund owes the road fund \$201,601.
- The payroll account was not properly reconciled.
- The county failed to reconcile and prepare a financial statement for the justice center corporation fund.
- The county failed to include \$179,412 in the jail fund for unused proceeds from the refinancing of a bank note.

The county failed to implement internal controls over cash, receipt, and reporting processes.

Without having proper internal controls over cash, receipt, and reporting processes the county could be at risk for misappropriation of assets and/or inaccurate financial reporting. Transferring of funds for uses other than prescribed by law may result in penalties, fines, or funds being required to be returned.

The quarterly report is a cumulative report and is prepared on a regulatory basis by the county judge/executive and the county treasurer pursuant to KRS 68.210. KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. This uniform system of accounts, as outlined in the Kentucky Department for Local Government's *County Budget Preparation and State Local Officer Policy Manual*, requires the fourth quarter financial report to be utilized for reporting. Pursuant to KRS 68.210, the state local finance officer has prescribed minimum accounting and reporting standards in the *County Budget Preparation and State Local Finance Officer Policy Manual* that require deposits be made on a daily basis. KRS 68.110 prohibits the use of funds from road fund monies for other purposes not associated with roads. However, the road fund is permitted to transfer, based on the road cost allocation sheet provided by the Department for Local Government monies to the general fund. Furthermore, compensating controls over the cash and reconciliation functions when staff is limited is essential for providing protection from asset misappropriation and/or fraud.

We recommend the fiscal court separate the duties of the cash and reconciliation process. If these duties cannot be segregated due to limited staff or limited budget, then strong oversight should be provided to the employee responsible for these duties.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: The county has increased internal controls to included strong oversight in regards to related accounting duties.

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

Section II: Financial Statement Findings (Continued)

2020-007 The Perry County Fiscal Court Failed To Properly Disclose Debt On The Quarterly Financial Report

This is a repeat finding and was included in the prior year audit report as finding 2019-003. The county did not accurately disclose liabilities on the fourth quarter financial report. The ending balance that should have been reported on the fourth quarter financial report as of June 30, 2020, for principal and interest was \$15,170,557 and \$4,182,692, respectively. The amounts reported for principal and interest were \$7,758,894 and \$2,492,496, respectively. The difference resulted in a net understatement of liabilities reported of \$7,436,845.

The county failed to implement sufficient monitoring over the reporting process. By not correctly reporting for outstanding liabilities, fiscal court cannot make effective management decisions related to debt service outstanding each fiscal year.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts as set forth in the Department for Local Government's (DLG) manual. DLG's manual requires the liabilities section of the fourth quarter financial report to be utilized for reporting all current long-term debt.

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

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: The treasurer will correctly disclose debt on the quarterly financial report as required.

2020-008 The Perry County Fiscal Court Did Not Properly Budget For And Record All Debt-Related Disbursements

This is a repeat finding and was included in the prior year audit report as finding 2019-004. The county did not comply with reporting requirements for debt bearing the county's name. During the year, the county issued six new debt instruments which totaled \$5,184,910.

These transactions did not run through the fiscal court's bank accounts, were not included in the fiscal court's budget process, or reflected on the fiscal court's fourth quarter financial report. As a result, the fiscal court failed to properly budget for and record \$5,184,910 of debt-related receipts and disbursements in the general fund. Failing to account for this activity resulted in appropriations in excess of budget in the general fund debt service category of \$1,269,910 and capital project of \$3,915,000.

The occurrence described above resulted in the liabilities information not accurately being presented to management, regulatory agencies, and other users of the information. Also, adjustments to include this activity on the fourth quarter financial report resulted in county appropriations exceeding the approved budget.

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

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

Section II: Financial Statement Findings (Continued)

2020-008 The Perry County Fiscal Court Did Not Properly Budget For And Record All Debt-Related Disbursements (Continued)

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

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: The fiscal will comply by budgeting all fiscal court disbursements and amending the budget to reflect unanticipated receipts and disbursements.

2020-009 The Perry County Fiscal Court Failed To Maintain Proper Accounting Records For The Justice Center Corporation Fund

This is a repeat finding and was included in the prior year audit report as finding 2019-009. The county did not maintain accurate accounting records for the justice center corporation fund, a public properties corporation. The county did not have accurate receipts and disbursement ledgers, reconcile the account monthly, or prepare a financial statement for the justice center corporation fund. The receipts, disbursements, and ending fund balances of the justice center corporation fund were \$662,468, \$662,495, and \$25,396 for the year, respectively.

The lack of oversight by the county judge/executive and fiscal court resulted in a lack of proper accounting for the justice center corporation fund. Failure to maintain proper account records could cause the financial statements to be materially misstated with all transactions not being included. Since the county is financially accountable and legally obligated for the debt of the public properties corporation, this entity is included in the financial statements of the county as an unbudgeted fund.

We recommend the county maintain accurate receipts and disbursement ledgers, reconcile the account monthly, and prepare an annual financial statement.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: The justice center fund is paid by the Administrative Office of the Courts. The fiscal court is responsible for the debt. The treasurer will reconcile these accounts and prepare financial statement for the fund.

2020-010 The Perry County Fiscal Court Failed To Make Continuing Financial Disclosures Required By Bond Agreements

The Perry County Fiscal Court failed to make continuing financial disclosures that were required by the Perry County's bond issuances in fiscal year ended June 30, 2020. The Perry County Fiscal Court is not in compliance with the debt covenants included in the Perry County's bond issuances. This noncompliance could cause the fiscal court's bond rating to be affected. Additionally, bondholders could seek legal action to require the submission of required financial information.

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

Section II: Financial Statement Findings (Continued)

2020-010 The Perry County Fiscal Court Failed To Make Continuing Financial Disclosures Required By Bond Agreements (Continued)

Perry County's Judicial Center Bonds state that annual financial information will be provided to the Municipal Securities Rulemaking Board (MSRB) within nine months following after the last day of the county's fiscal year.

We recommend Perry County Fiscal Court provide financial information to the MSRB as required by bond agreements.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: The county will make financial disclosures as required by bond agreements.

2020-011 The Perry County Fiscal Court Obtained Financing In The Form Of A Promissory Note That Exceeds The Allowable Term Permitted

During fiscal year 2020, the county entered into one financing agreement in the form of a promissory note with a local bank that extended beyond June 30, 2020. The note was for operating costs of the county.

Due to managements' lack of understanding of Kentucky Revised Statutes related to financing obligations the county executed this promissory note with a local bank. Since the promissory note term extends past the end of the fiscal year, it directly violates the Short-term Borrowing Act (KRS 65.7701 – 65.7721).

KRS 65.7707 requires that "[n]otes payable shall mature on a date determined by the governing body which shall be no later than the last day of the fiscal year in which the notes are issued. Interest on notes from the date thereof shall be payable at their maturity or payable in installments at earlier dates. Interest on the notes may be at a rate, rates or method of determining rates the governing body of the governmental agency unit may determine."

We recommend the county follow the requirements of Kentucky Revised Statutes when seeking financing in the future.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: The county was unaware of the term limit, however, will not exceed term limits when obtaining financing in the future.

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

Section II: Financial Statement Findings (Continued)

2020-012 The Perry County Fiscal Court's Disbursements Exceeded Approved Budgeted Appropriations

This is a repeat finding and was included in the prior year audit report as finding 2019-012. Disbursements exceeded approved budgeted appropriations as follows:

General Fund - Debt Service \$1,390,374
 General Fund - Capital Projects \$750,000
 Road Fund - Debt Service \$760,880
 State Grant Fund - Recreation and Culture \$4,844,848
 State Grant Fund - Administration \$169
 Sanitation Fund - Capital Projects \$8,606
 Sanitation Fund - Administration \$417

This situation occurred due to lack of oversight over the disbursement and budgeting processes. In addition, the fiscal court did not monitor the budget or quarterly reports to prevent disbursements from exceeding the approved budget appropriations. The Road fund exceeded budget appropriations after three financial agreements for the vehicles were adjusted in the financial statements.

Failure to spend within the budget or amend the budget may skew the financial position of the county.

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

We recommend fiscal court comply with KRS 68.300, KRS 68.280, and Department for Local Government requirements by budgeting all fiscal court disbursements and debt by amending the budget as necessary to reflect unanticipated receipts and disbursements.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: The treasurer will closely monitor the disbursement and budgeting processes in order to prevent disbursements exceeding the approved budget and make amendments as needed.

2020-013 The Perry County Fiscal Court Failed To Implement Controls Over Payroll Process And Approve Pay Rates For County Employees On An Annual Basis

This is a repeat finding and was included in the prior year audit report as finding 2019-005. During our testing of payroll and review of the fiscal court order book, we noted no evidence that the fiscal court performed the requirement to fix the compensation of every county officer and employee in accordance with KRS 64.530(1) for the fiscal year ended June 30, 2020.

There was a lack of oversight over payroll processes and knowledge or understanding of the KRS requirement to approve pay rates annually.

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

Section II: Financial Statement Findings (Continued)

2020-013 The Perry County Fiscal Court Failed To Implement Controls Over Payroll Process And Approve Pay Rates For County Employees On An Annual Basis (Continued)

By not approving pay rates in accordance with KRS 64.530(1), the public is not informed of the use of taxpayer dollars. In addition, by not having a listing of approved pay rates it makes it difficult for a person that is reviewing payroll to determine whether pay rates are correct which may result in errors. Failure to properly provide supervision contributes to lacking controls that may result in misappropriation of assets and potential penalties due to lack of payment.

KRS 64.530(1) states, in part, “the fiscal court of each county shall fix the reasonable compensation of every county officer and employee except the officers named in KRS 64.535.” In addition, proper internal controls are essential to reduce risk associated with inaccurate financial reporting and accounting. Furthermore, wages that are subject to social security and medicare taxes are to be withheld in accordance with wage and hour regulations.

We recommend the county annually prepare a list of each employee of the county and include the appropriate hourly rate for hourly employees and monthly or yearly amounts for all salaried employees. This list should be presented to the fiscal court for approval and included in the fiscal court minutes as a matter of public record. We further recommend the county implement proper controls over payroll.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive’s Response: The treasurer will annually present to the fiscal court a list of employees and include hourly and/or salary rates for fiscal court approval.

2020-014 The Perry County Fiscal Court Failed To Implement Proper Internal Controls Over Disbursements

This is a repeat finding and was included in the prior year audit report as finding 2019-014. The fiscal court did not follow proper procedures and requirements for disbursements of county funds. The follow deficiencies were noted during the testing of 88 total disbursements.

- Three invoices did not have sufficient supporting documentation totaling \$9,835.
- Seventy-six disbursements were missing purchase orders totaling \$2,929,651.
- Eleven disbursements totaling \$791,186 were not paid within 30 days.
- Two invoices totaling \$244,269 did not have bid files or explanations of no bidding.
- Three credit card invoices that were tested showed paid finance charges of \$276.
- Three credit card invoices totaling \$7,982 that were tested showed no purchase orders.
- Three credit card invoices that were tested showed paid sales tax totaling \$500.

The county failed to implement sufficient monitoring over the disbursement process. The internal control deficiencies noted above resulted in noncompliance with Kentucky Revised Statutes and potential for the misappropriation of assets.

Proper internal controls over expenditures are important to ensure purchase orders are created with sufficient funds available, include proper supporting documentation, and are paid in a timely manner. KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. Per the *County Budget Preparation and State Local Finance Officer Policy Manual*, issued by the Department for Local Government (DLG), “[p]urchases shall not be made without approval by the judge/executive (or designee), and/or a department head.”

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

Section II: Financial Statement Findings (Continued)

2020-014 The Perry County Fiscal Court Failed To Implement Proper Internal Controls Over Disbursements
 (Continued)

In addition, according to the fiscal court's administrative code, "[a]ll purchases of items of like or similar nature in excess of \$[2]0,000 in a fiscal year shall be advertised for bids, except otherwise provided in this Administrative Code. Items normally supplied as a unit shall not be artificially divided for the purpose of avoiding the competitive bidding procedure of this Administrative Code." See also KRS 424.260. Furthermore, KRS 65.140 requires invoices to be paid within 30 working days of being received.

We recommend the fiscal court implement policies and procedures to ensure disbursements are in compliance with applicable statutes and regulations. Additionally, we recommend the fiscal court put into place internal controls to monitor that these policies and procedures are operating effectively.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: The county has since implemented stronger internal controls to monitor disbursement processes, PO system had been implemented.

2020-015 The Treasurer Did Not Report Accurate Encumbrances On The Fourth Quarter Report

The treasurer did include encumbrances totaling \$35,024 on the quarterly financial report submitted to the Department for Local Government, but the encumbrance list totaled \$140,685. \$105,661 of encumbrances were not accounted for on the quarterly financial report.

The county treasurer did not report all encumbrances on the fourth quarter report. The county can not accurately monitor their receipts and disbursements which could result in the mismanaging of finances. The county is also not in compliance with Department for Local Government guidelines.

The fiscal court is required to submit a quarterly report to the state local finance officer and to report all money received to date in all funds both budgeted and unbudgeted. The report should include by fund, all receipts to date, transfers, borrowed money as well as claims allowed since the beginning of the fiscal year for actual and budgeted amounts. This report should also include encumbrances.

The treasurer should report all encumbrances on the fourth quarter report. This matter will be referred to the Department for Local Government.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: The treasurer will include all encumbrances going forward and will discuss with DLG to ensure correct submission.

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

Section II: Financial Statement Findings (Continued)

2020-016 The Perry County Fiscal Court Did Not Comply With Competitive Bidding Requirements

The Perry County Fiscal Court did not comply with competitive bidding requirements. During fiscal year ended June 30, 2020, the following were noted that did not comply with the bidding requirement:

- Tires, tire services, and contract labor were procured from a company owned by a business partner of the Perry County Judge/Executive totaling \$53,190 for the year. The vendor paid for these transactions also constitutes a related party transaction.
- The purchase and installation of a HVAC system in the amount of \$244,269.

When the fiscal court can reasonably anticipate spending over \$30,000 in a fiscal year for a given contract, lease, or agreement, competitive bids should be solicited to achieve the best price.

Competitive bidding ensures that the county procures materials and services at the best price available. By limiting competition, the county may not get this benefit.

KRS 45A.365(1) states, in part, “[a]ll contracts or purchases shall be awarded by competitive sealed bidding, which may include the use of a reverse auction[.]” According to the Administrative Code, “[a]ll purchases of items of like or similar nature in excess of \$[3]0,000 in a fiscal year shall be advertised for bids[.]”

We recommend that the fiscal court follow the requirements of KRS 45A.365 and the county’s administrative code. Purchases of \$30,000 or more should be competitively bid.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive’s Response: The county wasn’t aware that the products listed required bid as these items have never been included on bidding list in the past. One of the vendors is also on the State Price Contract List and their “Government and State Agency Approval Number” is printed on every invoice. Going forward, the fiscal court will include these items on our competitive bidding list.

Section III: Federal Award Findings And Questioned Costs

2020-017 The Perry County Fiscal Court Has \$201,285 Of Questioned Costs For The Coronavirus Relief Fund Federal Program

Federal Program: COIVD-19 Coronavirus Relief Fund ALN 21.019

Award Number and Year: Fiscal Year 2020

Name of Federal Agency and Pass-Thru Agency: U.S. Department of Treasury passed through the Kentucky Department for Local Government

Compliance Requirements: Activities Allowed or Unallowed, Allowable Cost/Cost Principles

Type of Finding: Other Matter

Amount of Questioned Costs: \$201,285

Opinion Modification: No

COVID Related: Yes

During fiscal year 2020, the Perry County Fiscal Court requested and received reimbursement from the Department for Local Government for Coronavirus Relief Fund (CRF) expenses totaling \$508,927 related to coronavirus mitigation activities. Of this amount, \$201,285 was for payroll expenses incurred and paid by the Kentucky River Regional Jail, a legally separate entity and a joint venture between Knott and Perry counties as is disclosed in Note 1 in “Notes to Financial Statement.”

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

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

2020-017 The Perry County Fiscal Court Has \$201,285 Of Questioned Costs For The Coronavirus Relief Fund Federal Program (Continued)

The payroll expenses for the Kentucky River Regional Jail meet the requirements of allowable costs under the guidance in 86 FR 4182 (January 15, 2021) as correctional and detention officers are specifically noted as presumed to meet the requirements of employees who are substantially dedicated to coronavirus response activities. However, these payroll expenses were incurred and paid by the Kentucky River Regional Jail not Perry County Fiscal Court. In order for costs to be allowable under the fund, the entity must have incurred an eligible expense during the period of performance. The Kentucky River Regional Jail could have been a subrecipient of the reimbursed funds, using the Department for Local Government and the Perry County Fiscal Court as pass-through agencies, but the Perry County Fiscal Court has retained the funds reimbursed for these eligible payroll expenses.

Management believed the payroll expenses incurred by the Kentucky River Regional Jail could be received and retained by the Perry County Fiscal Court as the fiscal court provides operating revenue to the jail via payments for housing inmates and other payments as established in the Interlocal Cooperation Agreement. However, these payments to the jail do not meet the requirements of allowable costs under the guidance provided in 86 FR 4182 as these expenses are an established part of the county's budget and were not expenses in addition to the budget related to coronavirus mitigation efforts.

The Perry County Fiscal Court requested and received reimbursement totaling \$201,285 from the Coronavirus Relief Fund (CRF) for expenses that were not incurred. Consequently, the Kentucky River Regional Jail incurred expenses that were reimbursed but have been received and retained by another entity. These costs will be reported as questioned costs for fiscal year ended June 30, 2020.

Due to the unprecedented nature of coronavirus relief efforts, this issue was an isolated incidence in the county's federal award activities. Since Coronavirus Relief Fund (CRF) payments have been deemed high risk by guidance in 2 CFR 200.51(c)(2), we tested all items submitted for reimbursement for the fund. This issue was the only identified area of non-compliance and questioned costs. Known questioned costs total \$201,285 and were computed using supporting documentation the entity submitted with the reimbursement request for coronavirus funds.

Guidance for compliance with Coronavirus Relief Fund (CRF) distributions is outlined in 2 CFR Part 200 Appendix XI, which further directs auditees to the Frequently Asked Questions section of the Federal Register as released on January 15, 2021 (89 FR 4182) in order to determine allowability of costs in accordance with the goals and intentions of the federal program. Per the Federal Register guidance, local government costs must meet all three of the following criteria in order to be considered allowable under CRF:

1. Necessary expenditures incurred due to the public health emergency with respect to COVID-19;
2. Costs that were not accounted for in the governments' most recently approved budget as of March 27, 2020; and
3. Costs that were incurred during the period that begins on March 1, 2020 and ends on December 31, 2021.

We recommend the Perry County Fiscal Court consult with the Department for Local Government to determine a satisfactory resolution to address these questioned costs. Further, we recommend the fiscal court ensure compliance with all requirements applicable to federal programs. We will refer this matter to the Department for Local Government.

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

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

2020-017 The Perry County Fiscal Court Has \$201,285 Of Questioned Costs For The Coronavirus Relief Fund Federal Program (Continued)

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: The court had been pre-approved to use all costs that were submitted for the Coronavirus Relief Fund. The court will submit alternate expenditures to amend the original submission.

Section IV: Summary Schedule of Prior Audit Findings

Not Applicable.

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

PERRY COUNTY FISCAL COURT

For The Year Ended June 30, 2020

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CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAM

PERRY COUNTY FISCAL COURT

For The Year Ended June 30, 2020

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

A handwritten signature in blue ink, appearing to read "Scott Alspaugh", is written over a horizontal line.

County Judge/Executive

A handwritten signature in blue ink, appearing to read "Joy Witt", is written over a horizontal line.

County Treasurer