

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

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



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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 Mike Malone, Carter County Judge/Executive  
Members of the Carter 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 Carter County Fiscal Court, for the year ended June 30, 2020, and the related notes to the financial statement which collectively comprise the Carter 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 Carter 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 Carter 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 Carter County Fiscal Court as of June 30, 2020, and their respective cash receipts and disbursements, and budgetary results for the year then ended, in accordance with the basis of accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

### **Other Matters**

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of the Carter County Fiscal Court. The Budgetary Comparison Schedules (supplementary information) and Schedule of Capital Assets (other information) are presented for purposes of additional analysis and are not a required part of the financial statement; however, they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

The accompanying Budgetary Comparison Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedules are fairly stated in all material respects in relation to the financial statement as a whole.

The Schedule of Capital Assets has not been subjected to the auditing procedures applied in the audit of the basic financial statement, and accordingly, we do not express an opinion or provide any assurance on it.

To the People of Kentucky  
The Honorable Andy Beshear, Governor  
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The Honorable Mike Malone, Carter County Judge/Executive  
Members of the Carter County Fiscal Court

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2021, on our consideration of the Carter County Fiscal Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Carter County Fiscal Court's internal control over financial reporting and compliance.

Based on the results of our audit, we present the accompanying Schedule of Findings and Responses included herein, which discusses the following report findings:

- 2020-001 The Fiscal Court Did Not Accurately Report Debt On The Quarterly Financial Statement
- 2020-002 The Fiscal Court Did Not Follow Proper Procedures For Advertising Bids Per State Law

Respectfully submitted,



Mike Harmon  
Auditor of Public Accounts

July 29, 2021

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

Mike Malone	County Judge/Executive
Morris Shearer	Magistrate
Jack Steele	Magistrate
Donnie Oppenheimer	Magistrate
Brandon Burton	Magistrate
Chris Huddle	Magistrate

**Other Elected Officials:**

Brian Bayes	County Attorney
Robert W. Boggs	Jailer
Mike Johnston	County Clerk
Larry Thompson	Circuit Court Clerk
Jeff May	Sheriff
Leslie Kiser Roseberry	Property Valuation Administrator
William Waddell	Coroner

**Appointed Personnel:**

Beth Justice	County Treasurer
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**CARTER COUNTY  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES  
IN FUND BALANCES - REGULATORY BASIS**

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

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

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

	<b>Budgeted Funds</b>			
	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Local Government Economic Assistance Fund</b>
<b>RECEIPTS</b>				
Taxes	\$ 1,188,490	\$	\$	\$
Excess Fees	120,741			
Licenses and Permits	36,308			
Intergovernmental	414,409	2,238,619	2,458,400	422,834
Charges for Services	4,825		95,824	85,456
Miscellaneous	177,458	112,622	113,952	612
Interest	152	250	111	55
Total Receipts	<u>1,942,383</u>	<u>2,351,491</u>	<u>2,668,287</u>	<u>508,957</u>
<b>DISBURSEMENTS</b>				
General Government	1,416,487			14,400
Protection to Persons and Property	22,975		2,197,610	278,238
General Health and Sanitation	81,311			104,356
Recreation and Culture	31,500			
Roads		3,602,825		
Debt Service	222,418	344,301	367,823	
Administration	617,432	272,760	789,256	217,022
Total Disbursements	<u>2,392,123</u>	<u>4,219,886</u>	<u>3,354,689</u>	<u>614,016</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(449,740)</u>	<u>(1,868,395)</u>	<u>(686,402)</u>	<u>(105,059)</u>
<b>Other Adjustments to Cash (Uses)</b>				
Financing Obligation Proceeds	360,000	1,502,704		
Transfers From Other Funds	1,493,895	940,000	725,775	52,025
Transfers To Other Funds	(1,448,051)	(535,000)		
Total Other Adjustments to Cash (Uses)	<u>405,844</u>	<u>1,907,704</u>	<u>725,775</u>	<u>52,025</u>
Net Change in Fund Balance	(43,896)	39,309	39,373	(53,034)
Fund Balance - Beginning	113,393	35,323	77,427	93,079
Fund Balance - Ending	<u>\$ 69,497</u>	<u>\$ 74,632</u>	<u>\$ 116,800</u>	<u>\$ 40,045</u>
<b>Composition of Fund Balance</b>				
Bank Balance	\$ 151,802	\$ 210,439	\$ 174,185	\$ 40,424
Less: Outstanding Checks	(82,305)	(135,807)	(57,385)	(379)
Fund Balance - Ending	<u>\$ 69,497</u>	<u>\$ 74,632</u>	<u>\$ 116,800</u>	<u>\$ 40,045</u>

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

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

<b>Budgeted Funds</b>				<b>Unbudgeted Funds</b>		
<b>Community Development Block Grant Fund</b>	<b>Forest Fire Fund</b>	<b>Insurance Premium Fund</b>	<b>Enhanced 911 Fund</b>	<b>Justice Center Fund</b>	<b>Jail Commissary Fund</b>	<b>Total Funds</b>
\$	\$ 3,833	\$ 2,028,849	\$ 172,063	\$	\$	\$ 3,393,235
						120,741
						36,308
191,500			212,275	578,193		6,516,230
						186,105
					396,959	801,603
		726	143	2,294	52	3,783
<u>191,500</u>	<u>3,833</u>	<u>2,029,575</u>	<u>384,481</u>	<u>580,487</u>	<u>397,011</u>	<u>11,058,005</u>
						1,430,887
	3,397		399,598			2,901,818
191,500						377,167
					427,329	458,829
						3,602,825
			39,028	576,692		1,550,262
			49,205	1,500		1,947,175
<u>191,500</u>	<u>3,397</u>		<u>487,831</u>	<u>578,192</u>	<u>427,329</u>	<u>12,268,963</u>
	436	2,029,575	(103,350)	2,295	(30,318)	(1,210,958)
			66,500			1,929,204
		5,051	85,000			3,301,746
		(1,318,695)				(3,301,746)
		(1,313,644)	151,500			1,929,204
	436	715,931	48,150	2,295	(30,318)	718,246
	16,938	342,267	45,783	198,533	133,000	1,055,743
<u>\$ 0</u>	<u>\$ 17,374</u>	<u>\$ 1,058,198</u>	<u>\$ 93,933</u>	<u>\$ 200,828</u>	<u>\$ 102,682</u>	<u>\$ 1,773,989</u>
\$	\$ 17,374	\$ 1,058,198	\$ 100,448	\$ 200,828	\$ 111,611	\$ 2,065,309
			(6,515)		(8,929)	(291,320)
<u>\$ 0</u>	<u>\$ 17,374</u>	<u>\$ 1,058,198</u>	<u>\$ 93,933</u>	<u>\$ 200,828</u>	<u>\$ 102,682</u>	<u>\$ 1,773,989</u>

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

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**CARTER COUNTY  
NOTES TO FINANCIAL STATEMENT**

**June 30, 2020**

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

**A. Reporting Entity**

The financial statement of Carter County includes all budgeted and unbudgeted funds under the control of the Carter 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.

**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.

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.

**CARTER 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)**

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 Fund - The primary purpose of this fund is to account for grants and related disbursements. The primary sources of receipts for this fund are grants from the federal government.

Forest Fire Fund - The primary purpose of this fund is to account for money collected for forest protection.

Insurance Premium Fund - The primary source of this fund is to account for insurance premium taxes collected and related disbursements for specified purposes.

Enhanced 911 Fund - The primary purpose of this fund is to account for the dispatch services provided for the county. The primary source of receipts for this fund is the 911 telephone surcharge.

**Unbudgeted Funds**

The fiscal court reports the following unbudgeted funds:

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

Jail Commissary Fund - The canteen operations are authorized pursuant to KRS 441.135. The profits generated from the sale of items are to be used for the benefit and to enhance the well-being of the inmates, or to enhance safety and security within the jail. The jailer is required to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the jail commissary fund.

**D. Budgetary Information**

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

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

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

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

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

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

**D. Budgetary Information (Continued)**

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

**E. Carter County Elected Officials**

Kentucky law provides for election of the officials listed below from the geographic area constituting Carter 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 Carter 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. Jointly Governed Organization**

A jointly governed organization is an entity that results from a multi-governmental arrangement that is governed by representatives from each participating government. The entity provides services to the citizens of each participating government, but there is no ongoing financial interest or responsibility by the participating governments. The Eastpark Industrial Park meets the criteria noted above and is disclosed as an organization jointly governed by the Kentucky counties of Carter, Boyd, Elliott, Greenup, and Lawrence.

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

**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	Insurance Premium Fund	Total Transfers In
General Fund	\$	\$ 535,000	\$ 958,895	\$ 1,493,895
Road Fund	940,000			940,000
Jail Fund	383,000		342,775	725,775
LGEA Fund	35,000		17,025	52,025
Insurance Premium Fund	5,051			5,051
Enhanced 911 Fund	85,000			85,000
Total Transfers Out	<u>\$ 1,448,051</u>	<u>\$ 535,000</u>	<u>\$ 1,318,695</u>	<u>\$ 3,301,746</u>

Reason for transfers:

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

**Note 4. Custodial Funds**

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

The fiscal court has the following custodial fund:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2020 was \$14,426.



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

**Note 5. Lease Agreement**

On December 21, 2015, the Carter County Fiscal Court entered into a direct borrowing for multiple vehicles, as part of an energy savings program. The agreement plans for the replacement of a varying number of county owned vehicles with fleet-managed leased vehicles each year through 2025. The addition of more leased vehicles in future years will change the payment schedule. The lease agreement contains a buy option and the county will not have right, title, or interest in or to the vehicles except for the use of the vehicles as described in the agreement. The lease term commences on the delivery date of the vehicle and ends 60 months after the first full month's rental payment date, with an option to continue month-to-month for an unlimited period of time. The loan is secured by the vehicles being purchased. In the event of default, the vehicles will be repossessed by the financial institution. The vendor delivered two vehicles in July and one in August. Scheduled lease payments as of June 30, 2020, were as follows:

Fiscal Year Ending June 30	Payment
2021	\$ 111,136
2022	68,259
2023	41,070
2024	21,075
2025	1,614
Totals	<u>\$ 243,154</u>

**Note 6. Short-term Debt - Direct Borrowings and Direct Placements**

**A. Road Repairs**

On January 25, 2019, Carter County entered into a \$100,000 direct borrowing with the Kentucky Association of Counties for the purpose of financing road repairs in anticipation of tax revenues. If an event of default has occurred, the lessor of this direct borrowing may: (a) terminate the lease term and give notice to the fiscal court to surrender the project within 60 days of notice, (b) sell or re-lease the project, (c) take whatever action by law or in equity may appear necessary or desirable to enforce its rights to the project. Terms of the agreement stipulated one payment of principal and interest due on August 20, 2019. As of June 30, 2020, the principal outstanding was paid in full.

**B. Construction Project**

On June 17, 2020, Carter County entered into a \$60,000 direct borrowing with Kentucky Association of Counties Leasing Trust for the purpose of construction. Terms of the agreement stipulated one payment of principal and interest due on November 20, 2020. If an event of default has occurred, the lessor of this direct borrowing may: (a) terminate the lease term and give notice to the fiscal court to surrender the project within 60 days of notice, (b) sell or re-lease the project, (c) take whatever action by law or in equity may appear necessary or desirable to enforce its rights to the project. As of June 30, 2020, the principal outstanding was \$60,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 60,000	\$ 956
Totals	<u>\$ 60,000</u>	<u>\$ 956</u>

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

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

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	\$ 100,000	\$ 60,000	\$ 100,000	\$ 60,000	\$ 60,000
Total Short-term Debt	<u>\$ 100,000</u>	<u>\$ 60,000</u>	<u>\$ 100,000</u>	<u>\$ 60,000</u>	<u>\$ 60,000</u>

**Note 7. Long-Term Debt**

**A. Direct Borrowings and Direct Placements**

**1. Kentucky Area Development District Financing Trust - Justice Center**

Carter County Justice Center Corporation entered into a 20-year direct borrowing with the Kentucky Area Development Districts Financing Trust on October 9, 2003 in the amount of \$380,000. The proceeds of the lease were used to fund a portion of the construction costs associated with the new Justice Center. Principal payments are due on November 20 and interest payments are due on May 20 and November 20 of each year beginning May 20, 2004. Interest is calculated at a fixed rate of 4.33 percent. The Administrative Office of the Courts is expected to pay the full amount of the principal and interest payments.

There are no moneys, sources of funds, securities or obligations that have been, or will be, pledged as collateral for the payment of principal of, premium, if any, or interest on the lease. In the event of default, the lessor may (a) make all or any part of the amount owed immediately due, (b) use any and all remedies under state or federal law, and/or (c) make a claim for any insurance benefits that are available upon default.

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

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 10,000	\$ 1,200
2022	10,000	720
2023	10,000	240
Totals	<u>\$ 30,000</u>	<u>\$ 2,160</u>

**2. Norton Branch Fire Department - Fire Truck (1)**

On June 30, 2006, Carter County entered into a \$148,000 direct borrowing with the Kentucky Association of Counties Leasing Trust for the purpose of financing the purchase of a fire truck for Norton Branch Fire Department. Norton Branch Fire Department agreed to make the payments for the term of the lease, but is not legally obligated to do so. Terms of the agreement stipulate a 14-year repayment schedule, with payments ending on December 20, 2020. Interest is calculated at a fixed rate of 4.33 percent.

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

**Note 7. Long-Term Debt (Continued)**

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

**2. Norton Branch Fire Department - Fire Truck (1) (Continued)**

If an event of default has occurred, the lessor of this direct borrowing may: (a) terminate the lease term and give notice to the fiscal court to surrender the fire truck within 60 days of notice, (b) sell or re-lease the fire truck, (c) take whatever action at law or in equity may appear necessary or desirable to enforce its rights to the fire truck. As of June 30, 2020, the principal outstanding was \$13,000. Future debt service requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	<u>13,000</u>	<u>\$ 446</u>
Totals	<u>\$ 13,000</u>	<u>\$ 446</u>

**3. Excavator**

On November 11, 2015, Carter County entered into a \$68,010 direct borrowing with First National Bank of Grayson for the purpose of financing the purchase of an excavator. Terms of the agreement stipulate a five year repayment schedule, with payments ending on November 4, 2020. Interest is calculated at a fixed rate of 2.95 percent. The loan is secured by the excavator being purchased. In the event of default, the excavator will be repossessed by the financial institution. As of June 30, 2020, the principal outstanding was \$6,051. Future debt service requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	<u>\$ 6,051</u>	<u>\$ 47</u>
Totals	<u>\$ 6,051</u>	<u>\$ 47</u>

**4. Grahn Fire Department - Fire Truck**

On February 19, 2016, Carter County entered into a \$75,000 direct borrowing with First National Bank of Grayson for the purpose of financing the purchase of a fire truck for Grahn Fire Department. Grahn Fire Department agreed to make payments for the term of the lease, but was not legally obligated to do so. Terms of the agreement stipulate a five-year repayment schedule, with payments ending on November 1, 2021. Interest rates range from 2.9 to 3.5 percent. The loan is secured by the fire truck being purchased. If an event of default has occurred, the lessor of this direct borrowing may: (a) terminate the lease term and give notice to the fiscal court to surrender the fire truck within 60 days of notice, (b) sell or re-lease the fire truck, (c) take whatever action at law or in equity may appear necessary or desirable to enforce its rights to the fire truck. As of June 30, 2020, the principal outstanding was \$37,520. Future debt service requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	<u>\$ 37,520</u>	<u>\$ 1,499</u>
Totals	<u>\$ 37,520</u>	<u>\$ 1,499</u>

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

**Note 7. Long-Term Debt (Continued)**

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

**5. Hitchins Fire Department - Fire Truck**

On May 11, 2016, Carter County entered into an \$80,044 direct borrowing with First National Bank of Grayson for the purpose of financing the purchase of a fire truck for Hitchins Fire Department. Hitchins Fire Department agreed to make payments for the term of the lease, but was not legally obligated to do so. Terms of the agreement stipulate an eight-year repayment schedule, with payments ending on August 11, 2023. Interest rates range from 2.9 to 3.5 percent. If an event of default has occurred, the lessor of this direct borrowing may: (a) terminate the lease term and give notice to the fiscal court to surrender the truck within 60 days of notice, (b) sell or re-lease the fire truck, (c) take whatever action at law or in equity may appear necessary or desirable to enforce its rights to the fire truck. As of June 30, 2020, the principal outstanding was \$41,690. Future debt service requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 9,739	\$ 1,291
2022	10,281	1,134
2023	10,646	769
2024	11,024	391
Totals	<u>\$ 41,690</u>	<u>\$ 3,585</u>

**6. Courthouse Energy Efficiency Improvements**

On May 18, 2016, Carter County entered into a \$1,675,000 direct borrowing with the Kentucky Association of Counties for the purpose of financing the acquisition and installation of energy efficiency improvements and refinancing the short-term emergency efficiency debt. Terms of the agreement stipulate a sixteen-year repayment schedule, with payments ending on December 20, 2030. If an event of default has occurred, the lessor of this direct borrowing may: (a) terminate the lease term and give notice to the fiscal court to surrender the project within 60 days of notice, (b) sell or re-lease the project, (c) take whatever action by law or in equity may appear necessary or desirable to enforce its rights to the project. As of June 30, 2020, the principal outstanding was \$1,380,000. Future debt service requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 105,000	\$ 49,475
2022	105,000	45,538
2023	110,000	40,975
2024	115,000	36,200
2025	120,000	31,213
2026-2030	675,000	84,563
2031	150,000	3,075
Totals	<u>\$ 1,380,000</u>	<u>\$ 291,039</u>

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

**Note 7. Long-Term Debt (Continued)**

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

**7. Grayson Fire Department - Fire Truck**

On April 17, 2018, Carter County entered into a \$115,000 direct borrowing with the Commercial Bank of Grayson for the purpose of financing the purchase of a fire truck for Grayson Fire Department. Grayson Fire Department agreed to make the payments for the term of the agreement, but is not legally obligated to do so. Terms of the agreement stipulate an eight-year repayment schedule, with principal and interest payments ending on September 1, 2024. If an event of default has occurred, the lessor of this direct borrowing may: (a) terminate the lease term and give notice to the fiscal court to surrender the fire truck within 60 days of notice, (b) sell or re-lease the fire truck, (c) take whatever action at law or in equity may appear necessary or desirable to enforce its rights to the fire truck.

As of June 30, 2020, the principal outstanding was \$74,044. Future debt service requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 13,752	\$ 2,742
2022	14,265	2,229
2023	14,791	1,703
2024	15,317	1,156
2025	15,919	589
Totals	<u>\$ 74,044</u>	<u>\$ 8,419</u>

**8. Road Repairs**

On April 24, 2019, Carter County entered into a \$300,000 direct borrowing with the Kentucky Association of Counties for the purpose of financing road repairs. Terms of the agreement stipulate an 18 month repayment schedule, with principal and interest payments ending on October 20, 2019. If an event of default has occurred, the lessor of this direct borrowing may: (a) terminate the lease term and give notice to the fiscal court to surrender the project within 60 days of notice, (b) sell or re-lease the project, (c) take whatever action by law or in equity may appear necessary or desirable to enforce its rights to the project.

As of June 30, 2020, the principal outstanding was paid in full.

**9. Kenworth Trucks**

On November 17, 2016, Carter County entered into a \$211,318 direct borrowing with the Commercial Bank of Grayson for the purpose of financing the purchase of two Kenworth trucks. Terms of the agreement stipulate a five-year repayment schedule, with principal and interest payments ending on November 30, 2021. The loan is secured by the trucks being purchased. In the event of default, the trucks will be repossessed by the financial institution.

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

**Note 7. Long-Term Debt (Continued)**

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

**9. Kenworth Trucks (Continued)**

As of June 30, 2020, the principal outstanding was \$66,544. Future debt service requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 44,208	\$ 1,222
2022	22,336	135
Totals	<u>\$ 66,544</u>	<u>\$ 1,357</u>

**10. Norton Branch Fire Department - Fire Truck (2)**

On June 20, 2019, Carter County entered into a \$75,000 direct borrowing with the Kentucky Association of Counties Leasing Trust for the purpose of financing a building for the Norton Branch Fire Department. Norton Branch Fire Department agreed to make the payments for the term of the lease, but is not legally obligated to do so. Terms of the agreement stipulate a 10-year repayment schedule, with payments ending on December 20, 2030. The loan is secured by the fire truck being purchased.

If an event of default has occurred, the lessor of this direct borrowing may: (a) terminate the lease term and give notice to the fiscal court to surrender the fire truck within 60 days of notice, (b) sell or re-lease the fire truck, (c) take whatever action at law or in equity may appear necessary or desirable to enforce its rights to the fire truck.

As of June 30, 2020, the principal outstanding was \$72,917. Future debt service requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 5,417	\$ 3,613
2022	5,417	3,075
2023	5,000	2,843
2024	5,000	2,575
2025	5,000	2,325
2026-2030	42,083	6,950
2031-2032	5,000	200
Totals	<u>\$ 72,917</u>	<u>\$ 21,581</u>

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

**Note 7. Long-Term Debt (Continued)**

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

**11. E-911 Equipment**

On December 19, 2018, Carter County entered into a \$178,000 direct borrowing with the Kentucky Association of Counties Leasing Trust for the purpose of financing E-911 equipment. Terms of the agreement stipulate a 5-year repayment schedule, with payments ending on December 20, 2023.

If an event of default has occurred, the lessor of this direct borrowing may: (a) terminate the lease term and give notice to the fiscal court to surrender the equipment within 60 days of notice, (b) sell or re-lease the equipment, (c) take whatever action at law or in equity may appear necessary or desirable to enforce its rights to the equipment.

As of June 30, 2020, the principal outstanding was \$124,600. Future debt service requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 35,600	\$ 5,282
2022	35,600	3,546
2023	35,600	1,810
2024	<u>17,800</u>	<u>254</u>
Totals	<u>\$ 124,600</u>	<u>\$ 10,892</u>

**12. Tractor**

On May 11, 2018, Carter County entered into a \$30,656 direct borrowing with John Deere Financial for the purpose of financing the acquisition of a tractor for the jail commissary. Terms of the agreement stipulate a five-year repayment schedule, with payments ending on May 11, 2022. The loan is secured by the tractor being purchased. In the event of default, the tractor will be repossessed by the financial institution. As of June 30, 2020, the principal outstanding was paid in full.

**13. Courthouse**

On June 25, 2020, Carter County entered into a \$300,000 direct borrowing with the Kentucky Association of Counties Leasing Trust for the purpose of remodeling of the courthouse. Terms of the agreement stipulate a 3-year repayment schedule, with payments ending on June 20, 2023.

If an event of default has occurred, the lessor of this direct borrowing may: (a) terminate the lease term and give notice to the fiscal court to surrender the project within 60 days of notice, (b) sell or re-lease the project, (c) take whatever action at law or in equity may appear necessary or desirable to enforce its rights to the project.

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

**Note 7. Long-Term Debt (Continued)**

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

**13. Courthouse (Continued)**

As of June 30, 2020 the principal outstanding was \$300,000. Future debt service requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$	\$ 1,645
2022		10,950
2023	300,000	5,435
Totals	\$ 300,000	\$ 18,030

**14. Road Projects and Road Equipment**

On September 19, 2019, Carter County entered into a \$1,340,000 direct borrowing with the Kentucky Association of Counties Finance Corporation for the purpose of various road projects and acquisition and equipping of related road equipment. Terms of the agreement stipulate a 10-year repayment schedule, with payments ending on December 20, 2028. If an event of default has occurred, the lessor of this direct borrowing may: (a) terminate the lease term and give notice to the fiscal court to surrender the project within 60 days of notice, (b) sell or re-lease the project, (c) take whatever action by law or in equity may appear necessary or desirable to enforce its rights to the project.

As of June 30, 2020, the principal outstanding was \$1,319,167. Future debt service requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 74,167	\$ 60,479
2022	105,000	52,950
2023	132,500	48,750
2024	157,500	43,450
2025	175,000	37,150
2026-2029	675,000	73,925
Totals	\$ 1,319,167	\$ 316,704

**15. Trucks**

On October 16, 2019, Carter County entered into a direct borrowing of \$423,940 with the Kentucky Association of Counties Leasing Trust for the purpose of financing three trucks. Terms of the agreement stipulate an 18-month repayment schedule with payments ending on April 20, 2021. The loan is secured by the trucks being purchased. If an event of default has occurred, the lessor of this direct borrowing may: (a) terminate the lease term and give notice to the fiscal court to surrender the project within 60 days of notice, (b) sell or re-lease the project, (c) take whatever action by law or in equity may appear necessary or desirable to enforce its rights to the project.



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

**Note 7. Long-Term Debt (Continued)**

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

**15. Trucks (Continued)**

As of June 30, 2020, the principal outstanding was \$423,940. Future debt service requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 423,940	\$ 5,481
	<u>\$ 423,940</u>	<u>\$ 5,481</u>

**B. Other Debt**

**1. General Obligation Refunding Bonds, Series 2012 - Detention Center**

The Carter County Fiscal Court issued \$5,460,000 in General Obligation Refunding Bonds dated March 1, 2012 for the purpose of defeasance of the outstanding General Obligation Bonds, Series 2001, which were used for the construction of the Carter County Detention Center. The bonds were issued at an interest rate of 3 percent and will be retired by November 1, 2023. Principal payments are due on May 1, and interest payments are due on May 1 and November 1 of each year.

In case of default, bondholders may proceed to protect and enforce their rights by declaring all bonds due and payable, and if all default shall be made good then, with the written consent of the owners of not less than fifty percent in principal amount of the outstanding bonds, by annulling such declaration and its consequents. In the event of default, each defaulted bond shall continue to bear interest after maturity at its interest rate applicable to such respective bonds until the necessary funds are made available for the payment thereof.

As of June 30, 2020, the principal outstanding was \$3,550,000. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 245,000	\$ 103,254
2022	250,000	97,129
2023	265,000	90,878
2024	270,000	84,254
2025	275,000	77,368
2026-2030	1,530,000	257,990
2031-2032	715,000	34,662
Totals	<u>\$ 3,550,000</u>	<u>\$ 745,535</u>

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

**Note 7. Long-term Debt (Continued)**

**B. Other Debt (Continued)**

**2. First Mortgage Refunding Revenue Bonds, Series 2010 - Justice Center**

On November 1, 2010, the Carter County Justice Center Corporation (the corporation) issued \$5,300,000 First Mortgage Refunding Revenue Bonds for the purpose of defeasance of the outstanding First Mortgage Revenue Bonds, Series 2002, which were used for the construction of the Carter County Justice Center. The corporation is acting as agent for the Administrative Office of the Courts (AOC) in order to manage and maintain the justice center. The corporation expects annual rentals from AOC for use of the justice center to be in the full amount of the annual principal and interest requirements of the bonds. Under the terms of the lease, AOC has agreed to pay directly to the paying agent bank the use allowance payment as provided in the lease. The lease agreement is renewable each year. The corporation is in reliance upon the use allowance payment in order to meet the debt service for the bonds. The use allowance payment commenced with occupancy of the justice center by AOC. AOC, with the execution of the lease, has expressed its intention to continue to pay the full use allowance payment in each successive biennial budget period until March 1, 2022, but the lease does not legally obligate AOC to do so. The owners of the bonds remedies in an event of default are the following, (i) foreclose on the mortgage lien on the project site and improvements granted by the mortgage or carry out decretal sale. However, no such foreclosure sale will result in a deficiency judgement of any type or in any amount against AOC, the county or the corporation.

The county may at any time by the discharge of the bonds and interest thereon receive an unencumbered fee simple title to the mortgaged facilities; provided that the event of any such enforcement of said lien by the Trustee, there will first be paid all expenses incident to said document, and thereafter the bonds then outstanding will be paid and retired, (ii) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the owners of the bonds, including the right to require the corporation to enforce fully the lease and to charge, collect and fully account for the pledged receipts, and to require the corporation to carry out any and all other covenants or agreements with the bondholders and to perform its duties under the act, (iii) by bring suit upon the bonds, (iv) by action or suit in equity, require the corporation to account as if it were the trustee of an express trust for the owners of the bonds (v) by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the owners of the bonds ( vi) by declaring all bonds due and payable, and if all defaults will be made good, then, with the written consent of the owners of not less than fifty percent in a principal amount of the outstanding bonds, by annulling such declaration and its consequences; and (vii) in the event that all bonds are declared due and payable, by selling investment obligations of the corporation (to the extent not theretofore set aside for redemption of the bonds for which call has been made), and enforcing all choices in action of the corporation to the fullest legal extent in the name of the corporation for the use and benefit of the owners of the bonds. Principal payments are due on March 1, and interest payments are due on March 1 and September 1 of each year. As of June 30, 2020, the principal outstanding was \$1,630,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 525,000	\$ 51,392
2022	540,000	35,643
2023	565,000	18,362
Totals	<u>\$ 1,630,000</u>	<u>\$ 105,397</u>

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

**Note 7. Long-term Debt (Continued)**

**C. Aggregate Debt Schedule**

Fiscal Year Ending June 30	Direct Borrowings and Direct Placements		Other Debt	
	Principal	Scheduled Interest	Principal	Scheduled Interest
2021	\$ 778,394	\$ 134,422	\$ 770,000	\$ 154,646
2022	307,899	120,277	790,000	132,772
2023	618,537	102,525	830,000	109,240
2024	321,641	84,026	270,000	84,254
2025	315,919	71,277	275,000	77,368
2026-2030	1,392,083	165,438	1,530,000	257,990
2031-2032	155,000	3,275	715,000	34,662
Totals	<u>\$ 3,889,473</u>	<u>\$ 681,240</u>	<u>\$ 5,180,000</u>	<u>\$ 850,932</u>

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

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

	Beginning Balance (Restated*)	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements*	\$ 2,185,361	\$ 2,063,940	\$ 359,828	\$ 3,889,473	\$ 778,446
Other Debt	5,925,000		745,000	5,180,000	770,000
Total Long-term Debt	<u>\$ 8,110,361</u>	<u>\$ 2,063,940</u>	<u>\$ 1,104,828</u>	<u>\$ 9,069,473</u>	<u>\$ 1,548,446</u>

\* The beginning balance of the Grahn Fire Truck direct borrowing (Note 7.A.4.) was increased by \$8,900 to agree to the confirmation from the lease holder. The beginning balance of the Hitchins Fire Truck direct borrowing (Note 7.A.5.) was increased by \$9,263 to agree to the confirmation from the lease holder. The beginning balance of the tractor direct borrowing (Note 7.A.12.) was decreased by \$2,883 to agree to confirmation from the lender.

**Note 8. 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.

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

**Note 8. Employee Retirement System (Continued)**

The county's contribution for FY 2018 was \$448,483, FY 2019 was \$487,366, and FY 2020 was \$589,947.

Nonhazardous

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008, are required to contribute 6 percent of their salary to be allocated as follows: 5 percent will go to the member's account and 1 percent will go to the KRS insurance fund.

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

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

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

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

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

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

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

**Note 8. Employee Retirement System (Continued)**

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1 (Continued)

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

Benefits are covered under KRS 161.714 with exception of COLA and retiree health benefits after July 2003.

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

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

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

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

C. Cost of Living Adjustments - Tier 1

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

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

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

E. Death Benefit

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

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

**Note 8. Employee Retirement System (Continued)**

KRS Annual Financial Report and Proportionate Share Audit Report

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

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

**Note 9. Insurance**

For the fiscal year ended June 30, 2020, the Carter County Fiscal Court was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**Note 10. Prior Period Adjustment**

The beginning balance of the justice center fund was decreased \$153. These funds were not in the name of the justice center fund and should not have been included in the prior year ending balance.

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

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

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

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

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 1,001,700	\$ 1,346,555	\$ 1,188,490	\$ (158,065)
In Lieu Tax Payments	200	200		(200)
Excess Fees		120,741	120,741	
Licenses and Permits	39,100	39,100	36,308	(2,792)
Intergovernmental	349,377	459,140	414,409	(44,731)
Charges for Services	3,000	3,000	4,825	1,825
Miscellaneous	138,500	138,500	177,458	38,958
Interest	300	300	152	(148)
Total Receipts	<u>1,532,177</u>	<u>2,107,536</u>	<u>1,942,383</u>	<u>(165,153)</u>
<b>DISBURSEMENTS</b>				
General Government	1,304,609	1,500,059	1,416,487	83,572
Protection to Persons and Property	32,000	34,924	22,975	11,949
General Health and Sanitation	59,442	82,450	81,311	1,139
Social Services	2,500	2,076		2,076
Recreation and Culture	25,000	31,500	31,500	
Debt Service	326,425	250,209	222,418	27,791
Administration	455,550	629,667	617,432	12,235
Total Disbursements	<u>2,205,526</u>	<u>2,530,885</u>	<u>2,392,123</u>	<u>138,762</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(673,349)</u>	<u>(423,349)</u>	<u>(449,740)</u>	<u>(26,391)</u>
<b>Other Adjustments to Cash (Uses)</b>				
Financing Obligation Proceeds			360,000	360,000
Transfers From Other Funds	1,125,986	1,125,986	1,493,895	367,909
Transfers To Other Funds	<u>(682,637)</u>	<u>(682,637)</u>	<u>(1,448,051)</u>	<u>(765,414)</u>
Total Other Adjustments to Cash (Uses)	<u>443,349</u>	<u>443,349</u>	<u>405,844</u>	<u>(37,505)</u>
Net Change in Fund Balance	(230,000)	20,000	(43,896)	(63,896)
Fund Balance - Beginning	<u>230,000</u>	<u>230,000</u>	<u>113,393</u>	<u>(116,607)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 250,000</u>	<u>\$ 69,497</u>	<u>\$ (180,503)</u>

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

	<b>ROAD FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 2,413,736	\$ 2,494,613	\$ 2,238,619	\$ (255,994)
Miscellaneous	121,000	164,941	112,622	(52,319)
Interest	400	400	250	(150)
Total Receipts	<u>2,535,136</u>	<u>2,659,954</u>	<u>2,351,491</u>	<u>(308,463)</u>
<b>DISBURSEMENTS</b>				
Roads	1,857,766	3,633,550	3,602,825	30,725
Debt Service	238,608	344,301	344,301	
Administration	274,776	368,117	272,760	95,357
Total Disbursements	<u>2,371,150</u>	<u>4,345,968</u>	<u>4,219,886</u>	<u>126,082</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>163,986</u>	<u>(1,686,014)</u>	<u>(1,868,395)</u>	<u>(182,381)</u>
<b>Other Adjustments to Cash (Uses)</b>				
Financing Obligation Proceeds		1,300,000	1,502,704	202,704
Transfers From Other Funds			940,000	940,000
Transfers To Other Funds	(213,986)	(213,986)	(535,000)	(321,014)
Total Other Adjustments to Cash (Uses)	<u>(213,986)</u>	<u>1,086,014</u>	<u>1,907,704</u>	<u>821,690</u>
Net Change in Fund Balance	(50,000)	(600,000)	39,309	639,309
Fund Balance - Beginning	<u>50,000</u>	<u>50,000</u>	<u>35,323</u>	<u>(14,677)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (550,000)</u>	<u>\$ 74,632</u>	<u>\$ 624,632</u>

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

	<b>JAIL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 1,984,500	\$ 2,137,860	\$ 2,458,400	\$ 320,540
Charges for Services	117,000	117,000	95,824	(21,176)
Miscellaneous	36,000	76,193	113,952	37,759
Interest	250	250	111	(139)
Total Receipts	<u>2,137,750</u>	<u>2,331,303</u>	<u>2,668,287</u>	<u>336,984</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	1,868,463	2,277,138	2,197,610	79,528
Debt Service	1,012,954	423,742	367,823	55,919
Administration	781,333	805,423	789,256	16,167
Total Disbursements	<u>3,662,750</u>	<u>3,506,303</u>	<u>3,354,689</u>	<u>151,614</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,525,000)</u>	<u>(1,175,000)</u>	<u>(686,402)</u>	<u>488,598</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	<u>1,475,000</u>	<u>1,475,000</u>	<u>725,775</u>	<u>(749,225)</u>
Total Other Adjustments to Cash (Uses)	<u>1,475,000</u>	<u>1,475,000</u>	<u>725,775</u>	<u>(749,225)</u>
Net Change in Fund Balance	(50,000)	300,000	39,373	(260,627)
Fund Balance - Beginning	<u>50,000</u>	<u>50,000</u>	<u>77,427</u>	<u>27,427</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 350,000</u>	<u>\$ 116,800</u>	<u>\$ (233,200)</u>

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

	<b>LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 359,500	\$ 434,333	\$ 422,834	\$ (11,499)
Charges for Services	91,500	91,500	85,456	(6,044)
Miscellaneous	1,000	1,000	612	(388)
Interest	100	100	55	(45)
Total Receipts	<u>452,100</u>	<u>526,933</u>	<u>508,957</u>	<u>(17,976)</u>
<b>DISBURSEMENTS</b>				
General Government	18,400	14,400	14,400	
Protection to Persons and Property	242,204	278,488	278,238	250
General Health and Sanitation	110,425	107,382	104,356	3,026
Roads	20,000	516		516
Administration	129,571	244,647	217,022	27,625
Total Disbursements	<u>520,600</u>	<u>645,433</u>	<u>614,016</u>	<u>31,417</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(68,500)</u>	<u>(118,500)</u>	<u>(105,059)</u>	<u>13,441</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	30,000	30,000	52,025	22,025
Transfers To Other Funds	(37,000)	(37,000)		37,000
Total Other Adjustments to Cash (Uses)	<u>(7,000)</u>	<u>(7,000)</u>	<u>52,025</u>	<u>59,025</u>
Net Change in Fund Balance	(75,500)	(125,500)	(53,034)	72,466
Fund Balance - Beginning	<u>75,500</u>	<u>75,500</u>	<u>93,079</u>	<u>17,579</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (50,000)</u>	<u>\$ 40,045</u>	<u>\$ 90,045</u>

**CARTER 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		
<b>RECEIPTS</b>				
Intergovernmental	\$ 200,000	\$ 200,000	\$ 191,500	\$ (8,500)
Total Receipts	<u>200,000</u>	<u>200,000</u>	<u>191,500</u>	<u>(8,500)</u>
<b>DISBURSEMENTS</b>				
General Health and Sanitation	200,000	200,000	191,500	8,500
Total Disbursements	<u>200,000</u>	<u>200,000</u>	<u>191,500</u>	<u>8,500</u>
Net Change in Fund Balance				
Fund Balance - Beginning				
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

	<b>FOREST FIRE FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 2,800	\$ 2,800	\$ 3,833	\$ 1,033
Total Receipts	<u>2,800</u>	<u>2,800</u>	<u>3,833</u>	<u>1,033</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	18,800	18,800	3,397	15,403
Total Disbursements	<u>18,800</u>	<u>18,800</u>	<u>3,397</u>	<u>15,403</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(16,000)</u>	<u>(16,000)</u>	<u>436</u>	<u>16,436</u>
Net Change in Fund Balance	(16,000)	(16,000)	436	16,436
Fund Balance - Beginning	<u>16,000</u>	<u>16,000</u>	<u>16,938</u>	<u>938</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 17,374</u>	<u>\$ 17,374</u>

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

	<b>INSURANCE PREMIUM FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 175,000	\$ 175,000	\$ 2,028,849	\$ 1,853,849
Interest	200	200	726	526
Total Receipts	<u>175,200</u>	<u>175,200</u>	<u>2,029,575</u>	<u>1,854,375</u>
<b>DISBURSEMENTS</b>				
Administration	100,200	100,200		100,200
Total Disbursements	<u>100,200</u>	<u>100,200</u>		<u>100,200</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>75,000</u>	<u>75,000</u>	<u>2,029,575</u>	<u>1,954,575</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds			5,051	5,051
Transfers To Other Funds	<u>(175,000)</u>	<u>(175,000)</u>	<u>(1,318,695)</u>	<u>(1,143,695)</u>
Total Other Adjustments to Cash (Uses)	<u>(175,000)</u>	<u>(175,000)</u>	<u>(1,313,644)</u>	<u>(1,138,644)</u>
Net Change in Fund Balance	(100,000)	(100,000)	715,931	815,931
Fund Balance - Beginning	100,000	100,000	342,267	242,267
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,058,198</u>	<u>\$ 1,058,198</u>

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

	<b>ENHANCED 911 FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 200,000	\$ 200,000	\$ 172,063	\$ (27,937)
Intergovernmental	166,800	166,800	212,275	45,475
Miscellaneous				
Interest	200	200	143	(57)
Total Receipts	<u>367,000</u>	<u>367,000</u>	<u>384,481</u>	<u>17,481</u>
<b>DISBURSEMENTS</b>				
General Government				
Protection to Persons and Property	301,414	416,308	399,598	16,710
Debt Service	42,637	40,758	39,028	1,730
Administration	105,586	59,071	49,205	9,866
Total Disbursements	<u>449,637</u>	<u>516,137</u>	<u>487,831</u>	<u>28,306</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(82,637)</u>	<u>(149,137)</u>	<u>(103,350)</u>	<u>45,787</u>
<b>Other Adjustments to Cash (Uses)</b>				
Financing Obligation Proceeds		66,500	66,500	
Transfers From Other Funds	52,637	52,637	85,000	32,363
Total Other Adjustments to Cash (Uses)	<u>52,637</u>	<u>119,137</u>	<u>151,500</u>	<u>32,363</u>
Net Change in Fund Balance	(30,000)	(30,000)	48,150	78,150
Fund Balance - Beginning	<u>30,000</u>	<u>30,000</u>	<u>45,783</u>	<u>15,783</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 93,933</u>	<u>\$ 93,933</u>



**CARTER 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.

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

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

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**CARTER 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	\$ 900,400	\$	\$	\$ 900,400
Buildings	15,841,495			15,841,495
Vehicles and Equipment	1,269,516	565,430		1,834,946
Other Equipment	2,839,781			2,839,781
Infrastructure	10,547,881			10,547,881
 Total Capital Assets	 <u>\$ 31,399,073</u>	 <u>\$ 565,430</u>	 <u>\$ 0</u>	 <u>\$ 31,964,503</u>

**CARTER 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	\$ 125,000	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Machinery and Equipemnt	\$ 5,000	3-25
Vehicles	\$ 5,000	3-25
Infrastructure	\$ 10,000	10-50

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

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

The Honorable Mike Malone, Carter County Judge/Executive  
Members of the Carter 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 Carter County Fiscal Court for the fiscal year ended June 30, 2020, and the related notes to the financial statement which collectively comprise the Carter County Fiscal Court's financial statement and have issued our report thereon dated July 29, 2021.

**Internal Control Over Financial Reporting**

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

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

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



Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With *Government Auditing Standards*  
(Continued)

**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 deficiency described in the accompanying Schedule of Findings and Responses as item 2020-002 to be a significant deficiency.

**Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the Carter 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**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 horizontal line extending to the right.

Mike Harmon  
Auditor of Public Accounts

July 29, 2021

**CARTER COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES**

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

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**CARTER COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES**

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

INTERNAL CONTROL - MATERIAL WEAKNESS:

2020-001 The Fiscal Court Did Not Accurately Report Debt On The Quarterly Financial Statement

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This is a repeat finding and was included in the prior year audit report as finding 2019-001. The liabilities section of the fourth quarter financial statement (which also serves as the county's year-end financial statement) did not reconcile to the county's debt schedules, materially misstating debt obligations. This occurred due to the lack of oversight of the quarterly financial statement preparation process. As a result, liabilities information is not accurately presented to management, regulatory agencies, and other users of the information. The principal balance of debt as of June 30, 2020 was understated by \$2,120,994 and the interest balance of debt as of June 30, 2020 was understated by \$366,164.

The Department for Local Government, under the authority of KRS 68.210, gives the state local finance officer the authority to prescribe a uniform system of accounts. As outlined in the *County Budget Preparation and State Local Finance Officer Policy Manual*, the uniform system of accounts requires the budget section of the fourth quarter financial report to be utilized for reporting all current long-term debt, including public corporation bonds, general obligation bonds, government leasing act issues and bond anticipation notes. The liabilities information reported needs to be accurate.

We recommend the fiscal court ensure all debt payments are accounted for, and reported accurately on the liabilities section of the quarterly financial statement.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: The official did not provide a response.*

INTERNAL CONTROL - SIGNIFICANT DEFICIENCY:

2020-002 The Fiscal Court Did Not Follow Proper Procedures For Advertising Bids Per State Law

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The fiscal court did not follow proper procedures for advertising bids as required by state law. Two equipment purchases costing more than \$30,000 each and food services that were \$30,000 or more for the same type service to the same company were not advertised in the newspaper as required per KRS 424.260. The fiscal court did not have controls in place to ensure that staff knew the requirements or did not monitor/review to make sure requirements were followed. The fiscal court is not in compliance with KRS 424.260. Competitive bidding ensures the fiscal court procures materials and services at the best price available.

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

We recommend the fiscal court comply with KRS 424.260 by advertising bids in the newspaper when expenditures for like type goods or services exceeds \$30,000 in a fiscal year.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: The official did not provide a response.*

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

**CARTER COUNTY FISCAL COURT**

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

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CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE  
CARTER COUNTY FISCAL COURT

For The Year Ended June 30, 2020

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



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County Judge/Executive



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County Treasurer