

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

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



**MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817
TELEPHONE (502) 564-5841
FACSIMILE (502) 564-2912**

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

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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



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

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

Opinion on Regulatory Basis of Accounting

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

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of the Crittenden County Fiscal Court. The Budgetary Comparison Schedules (supplementary information) and the 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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Members of the Crittenden County Fiscal Court

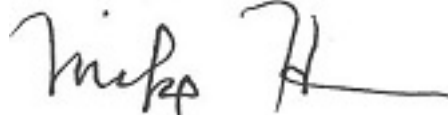
Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2020, on our consideration of the Crittenden 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 Crittenden 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, which discusses the following report findings:

- 2019-001 The Crittenden County Fiscal Court Failed To Implement Adequate Internal Controls Over Cash Transfers
- 2019-002 The Crittenden County Jail Inappropriately Used A Debit Card For Jail Commissary Purchases
- 2019-003 The Crittenden County Fiscal Court Failed To Implement Adequate Internal Controls Over Disbursements And Was Not Compliance With Various Statutes
- 2019-004 The Crittenden County Fiscal Court Failed To Implement Adequate Internal Controls Over Debt And Debt Service

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

December 15, 2020

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

Perry Newcom	County Judge/Executive
Danny Fowler	Magistrate (July-December)
Dave Belt	Magistrate (January-June)
Curt Buntin	Magistrate (July-December)
Todd Perryman	Magistrate (January-June)
Zach Bloodworth	Magistrate (July-December)
Willard Guill	Magistrate (January-June)
Mark Holloman	Magistrate (July-December)
Chad Thomas	Magistrate (January-June)
Donnetta Travis	Magistrate (July-December)
Greg Rushing	Magistrate (January-June)
Dan Wood	Magistrate

Other Elected Officials:

Rebecca Johnson	County Attorney
Robert Kirk	Jailer
Carolyn Byford	County Clerk
Melissa Guill	Circuit Court Clerk
Wayne Agent	Sheriff
Ronnie Heady	Property Valuation Administrator
Bradley Gilbert	Coroner

Appointed Personnel:

Susan Padget	County Treasurer (July - October)
Yvette Martin	County Treasurer
Brittany Mardis	Finance Officer

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

For The Year Ended June 30, 2019

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

For The Year Ended June 30, 2019

	Budgeted Funds			
	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund
RECEIPTS				
Taxes	\$ 1,038,421	\$	\$	\$ 112,177
Excess Fees	43,594			
Licenses and Permits	17,988	28,200		
Intergovernmental	84,362	2,849,545	2,747,180	213,152
Charges for Services		80,935	12,820	2,664
Miscellaneous	323,359	199,170	191,206	15,688
Interest	580	16,311	104	148
Total Receipts	<u>1,508,304</u>	<u>3,174,161</u>	<u>2,951,310</u>	<u>343,829</u>
DISBURSEMENTS				
General Government	443,753	42		106,008
Protection to Persons and Property	308,333		1,988,826	51,008
General Health and Sanitation		88,649		38,837
Social Services				12,136
Recreation and Culture				59,667
Transportation Facility and Services		23,858		
Roads		1,362,315		
Other Transportation Facilities and Services		1,167,654		
Debt Service		209,407	569,035	
Capital Projects	6,000	1,062		3,000
Administration	445,581	357,173	390,242	37,872
Total Disbursements	<u>1,203,667</u>	<u>3,210,160</u>	<u>2,948,103</u>	<u>308,528</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>304,637</u>	<u>(35,999)</u>	<u>3,207</u>	<u>35,301</u>
Other Adjustments to Cash (Uses)				
Borrowed Money	75,000	144,922		
Change In Payroll Revolving Account	19,137			
Transfers From Other Funds	367,000	177,503	305,000	
Transfers To Other Funds	(482,505)	(62,000)	(305,000)	
Total Other Adjustments to Cash (Uses)	<u>(21,368)</u>	<u>260,425</u>		
Net Change in Fund Balance	283,269	224,426	3,207	35,301
Fund Balance - Beginning (Restated)	132,930	539,381	89,210	58,569
Fund Balance - Ending	<u>\$ 416,199</u>	<u>\$ 763,807</u>	<u>\$ 92,417</u>	<u>\$ 93,870</u>
Composition of Fund Balance				
Bank Balance	\$ 384,093	\$ 340,061	\$ 97,012	\$ 112,667
Payroll Revolving Account Reconciled Balance	36,465			
Plus: Deposits In Transit	18			
Less: Outstanding Checks	(4,377)	(125,930)	(4,595)	(18,797)
Investments		549,676		
Fund Balance - Ending	<u>\$ 416,199</u>	<u>\$ 763,807</u>	<u>\$ 92,417</u>	<u>\$ 93,870</u>

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

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

Budgeted Funds		Unbudgeted Funds				
E-911 Fund	E-911 Wireless Fund	Riverview Park Board Fund	Detention Center Fund	Jail Commissary Fund	Total Funds	
\$ 20,174	\$	\$	\$	\$	\$ 1,170,772	
					43,594	
					46,188	
			235		5,894,474	
					96,419	
		8,540		491,732	1,229,695	
103	171			27	17,444	
<u>20,277</u>	<u>171</u>	<u>8,540</u>	<u>235</u>	<u>491,759</u>	<u>8,498,586</u>	
					549,803	
20,742					2,368,909	
					127,486	
					12,136	
		6,773		491,805	558,245	
					23,858	
					1,362,315	
					1,167,654	
					778,442	
			1,681		11,743	
					1,230,868	
<u>20,742</u>		<u>6,773</u>	<u>1,681</u>	<u>491,805</u>	<u>8,191,459</u>	
(465)	171	1,767	(1,446)	(46)	307,127	
					219,922	
2					19,137	
					849,505	
					(849,505)	
<u>2</u>					<u>239,059</u>	
(463)	171	1,767	(1,446)	(46)	546,186	
82,262	67,943	35,419	1,446	990	1,008,150	
<u>\$ 81,799</u>	<u>\$ 68,114</u>	<u>\$ 37,186</u>	<u>\$ 0</u>	<u>\$ 944</u>	<u>\$ 1,554,336</u>	
\$ 81,799	\$ 68,114	\$ 37,186	\$	\$ 5,312	\$ 1,126,244	
					36,465	
					18	
				(4,368)	(158,067)	
					549,676	
<u>\$ 81,799</u>	<u>\$ 68,114</u>	<u>\$ 37,186</u>	<u>\$ 0</u>	<u>\$ 944</u>	<u>\$ 1,554,336</u>	

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

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**CRITTENDEN COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2019

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statement of Crittenden County includes all budgeted and unbudgeted funds under the control of the Crittenden 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 Crittenden County Hospital, Inc. would have been included in the reporting entity under accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. However, under the regulatory basis, they are no longer are required components of the reporting entity. Audits of the Crittenden County Hospital, Inc. can be obtained from the Crittenden County Fiscal Court, 107 South Main Street, Marion, Kentucky 42064.

The Ohio River Ferry Authority is blended with the Crittenden County Fiscal Court's Road Fund. The only activity for the Ohio River Ferry Authority are receipts from the Department of Transportation that is received and disbursed through the road fund to the contracted ferry operator.

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.

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

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

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

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

E-911 Fund - The primary purpose of this fund is to account for 911 tax receipts and emergency services disbursements.

E-911 Wireless Fund - The primary purpose of this fund is to account for wireless 911 tax receipts and emergency services disbursements.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

Detention Center Fund - The purpose of this fund is to account for debt service requirements of the general obligation refunding lease. The Department for Local Government does not require the fiscal court to report or budget these funds. This fund was closed during the fiscal year ended June 30, 2019.

Riverview Park Board Fund - The purpose of this fund is to account for receipts and disbursements of the Riverview/Dam 50 Park. The primary source of income is lot rental and expenses are for utilities. Currently the income and expenses are not handled by the county. The county should budget and report this activity as a fund.

Jail Commissary Fund - The canteen operations are authorized pursuant to KRS 441.135, which allows the jailer to sell snacks, sodas, and other items to inmates. 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.

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

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information

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

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

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

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

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

E. Crittenden County Elected Officials

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments (Continued)

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

G. Long-term Obligations

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

J. Jointly Governed Organization

A jointly governed organization is a regional government or other multi-governmental arrangement that is governed by representatives from each of the governments that created the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility. Based on these criteria, the following is considered a jointly governed organization: the Crittenden-Livingston County Water District.

Note 2. Deposits and Investments

A. Deposits

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

Custodial Credit Risk - Deposits

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

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

Note 2. Deposits and Investments (Continued)

B. Investments

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

Type	Cost Basis	Maturities (In Years)			
		Less Than 1	1-5	6-10	More Than 10
Fixed Deferred Annuity	\$ 549,676	\$	\$	\$ 549,676	
Total Fund Balance	\$ 549,676	\$ 0	\$ 0	\$ 549,676	\$ 0

Custodial Credit Risk is the risk that, in the event of failure of the counterparty, the fiscal court will not be able to recover the value of its certificates of deposit, investments, or collateral securities that are in the possession of an outside party. The fiscal court's investment policy requires counterparties to provide sufficient collateral or other insurance if any investments or deposits exceed the insurance provided by Federal Deposit Insurance Corporation (FDIC) and the Securities Investor Protection Corporation (SIPC). All certificates of deposit and investments must be held by the counterparty in the fiscal court's name. The fiscal court has \$548,599 of investments in securities held by the counterparties' trust departments in the fiscal court's name.

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

- 1) Obligations of the United States and of its agencies and instrumentalities.
- 2) Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States government agency.
- 3) Obligations of any corporation of the United States government.
- 4) Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution having a physical presence in Kentucky which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations, including surety bonds, permitted by KRS 41.240.
- 5) Uncollateralized certificates of deposit issued by any bank or savings and loan institution having a physical presence in Kentucky rated in one of the three highest categories by a competent rating agency.
- 6) Bankers' acceptances for banks rated in one of the three highest categories by a competent rating agency.
- 7) Commercial paper rated in the highest category by a competent rating agency.
- 8) Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities.
- 9) Securities issued by a state or local government, or any instrumentality of agency thereof, in the United States, and rated in one of the three highest categories by a competent rating agency.
- 10) Shares of mutual funds and exchange traded funds, each of which shall have the following characteristics:
 - a) The mutual funds shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended.
 - b) The management company of the investment company shall have been in operation for at least five years.
 - c) All of the securities in the mutual fund shall be eligible investments pursuant to this section.

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

Note 2. Deposits and Investments (Continued)

B. Investments (Continued)

The fiscal court is limited to investing no more than 20 percent in categories 5, 6, 7, 9, and 10 above per state statute and the fiscal court's investment policy. As of June 30, 2019, the fiscal court does not have any investments in these categories.

The fiscal court's rated investments, as of June 30, 2019, and the ratings are presented in the table below. All issuers of the municipal bonds are located in the Commonwealth of Kentucky.

Type	AM Best Credit Rating Service					Cost Basis	
	AAA/Aaa	AA/Aa	A	WR	Unrated/NA		
Fixed Deferred Annuity	\$	\$ 549,676	\$	\$	\$	\$ 549,676	
Total Fund Balance	\$	0	\$	0	\$	0	\$ 549,676

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

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

Note 3. Transfers

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

	General Fund	Road Fund	Jail Fund	Total Transfers In
General Fund	\$	\$ 62,000	\$ 305,000	\$ 367,000
Road Fund	177,503			177,503
Jail Fund	305,000			305,000
E-911 Fund	2			2
Total Transfers Out	\$ 482,505	\$ 62,000	\$ 305,000	\$ 849,505

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.

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

Note 4. Agency Trust Funds

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

The fiscal court has the following agency trust fund:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2019, was \$91,519

Note 5. Assets Held For Resale

Assets held for resale activity for the year ended June 30, 2019, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Assets Held For Resale:				
Mack Trucks (2)	\$ 141,922	\$ 144,922	\$ 141,922	\$ 144,922
Totals	<u>\$ 141,922</u>	<u>\$ 144,922</u>	<u>\$ 141,922</u>	<u>\$ 144,922</u>

Note 6. Long-term Debt

A. Direct Borrowings and Direct Placements

1. 2017 Financing Obligation - Refunding General Obligation Bond, Series 2007

On December 20, 2017, the Crittenden County Fiscal Court entered into a financing agreement with the Kentucky Association of Counties Leasing Trust in the amount of \$1,095,000 for the purpose of retiring the general obligation bond, series 2007. The interest rate is 3.14% with payments due on the 20th of each month and principal payments due monthly on the 20th until the termination date of December 20, 2037.

The principal balance as of June 30, 2019, was \$915,000. Annual debt service requirement to maturity are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2020	\$ 185,000	\$ 40,599
2021	195,000	30,637
2022	205,000	20,149
2023	15,000	14,137
2024	15,000	13,349
2025-2029	95,000	53,857
2030-2034	110,000	34,405
2035-2038	95,000	12,874
Totals	<u>\$ 915,000</u>	<u>\$ 220,007</u>

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

Note 6. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

1. 2017 Financing Obligation - Refunding General Obligation Bond, Series 2007 (Continued)

In case of default, the lessor may, without any further demand or notice, take one of any combination of the following remedial steps:

(A) By appropriate court action enforce the pledge set forth in Section 2 of the ordinance and section 11 of the lease so that during the remaining lease term there is levied on all the taxable property in the lessee, in addition to all other taxes, without limitation as to the rate or amount, a direct tax annually in an amount sufficient to pay the lease rental payments when and as due;

(B) Take legal title to, and sell or re-lease the project or any portion thereof;

(C) Take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the project under the lease; and/or take whatever action at law or in equity may appear necessary or desirable to enforce performance by the lessee of the applicable covenants and agreements of the lessee under the lease and to recover damages for the breach thereof.

2. 2013 Financing Obligation - Refunding General Obligation Improvement Bonds, Series 2007

On May 22, 2013, Crittenden County entered into a lease agreement with Kentucky Association of Counties and U.S. Bank in the amount of \$6,675,000. The purpose of the lease was to refund a portion of the general obligation improvement bonds, series 2007.

The principal balance as of June 30, 2019, was \$6,050,417. Annual debt service requirement to maturity are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2020	\$ 95,000	\$ 202,515
2021	95,000	200,496
2022	178,333	198,379
2023	295,000	194,143
2024	299,167	186,891
2025-2029	1,657,917	798,758
2030-2034	1,902,500	506,701
2035-2038	1,527,500	139,692
Totals	<u>\$ 6,050,417</u>	<u>\$ 2,427,575</u>

In case of default, the lessor may, without any further demand or notice, take one of any combination of the following remedial steps:

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

Note 6. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

2. 2013 Financing Obligation - Refunding General Obligation Improvement Bonds, Series 2007 (Continued)

(A) By appropriate court action enforce the pledge set forth in section 2 of the ordinance and section 11 of the lease so that during the remaining lease term there is levied on all the taxable property in the lessee, in addition to all other taxes, without limitation as to the rate or amount, a direct tax annually in an amount sufficient to pay the lease rental payments when and as due;

(B) Take legal title to, and sell or re-lease the project or any portion thereof;

(C) Take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the project under the lease; and/or take whatever action at law or in equity may appear necessary or desirable to enforce performance by the lessee of the applicable covenants and agreements of the lessee under the lease and to recover damages for the breach thereof.

3. 2016 Financing Obligation - Detention Center Remodeling

On February 25, 2016, the Crittenden County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust in the amount of \$250,000 for the purpose of remodeling the existing the Crittenden County Detention Center building to house additional prisoners. The interest rate is variable with payments due on the 20th until the termination date of February 1, 2023.

The principal balance as of June 30, 2019, was \$150,000. Annual debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2020	\$ 40,000	\$ 3,625
2021	40,000	2,725
2022	45,000	1,825
2023	25,000	687
Totals	<u>\$ 150,000</u>	<u>\$ 8,862</u>

In case of default, the Lessor may, without any further demand or notice, take one of any combination of the following remedial steps:

(A) By appropriate court action enforce the pledge set forth in section 2 of the ordinance and section 11 of the lease so that during the remaining lease term there is levied on all the taxable property in the lessee, in addition to all other taxes, without limitation as to the rate or amount, a direct tax annually in an amount sufficient to pay the lease rental payments when and as due;

(B) Take legal title to, and sell or re-lease the project or any portion thereof;

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

Note 6. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

3. 2016 Financing Obligation – Detention Center Remodeling (Continued)

(C) Take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the project under the lease; and/or take whatever action at law or in equity may appear necessary or desirable to enforce performance by the lessee of the applicable covenants and agreements of the lessee under the lease and to recover damages for the breach thereof.

4. Financing Obligation - #24 Mack Truck

On June 20, 2019, the Crittenden County Fiscal Court entered into a financing agreement with the Kentucky Association of Counties Leasing Trust in the amount of \$144,922 for the purpose of purchasing a Mack truck. The interest rate is a fixed rate of 4.95% with payments due on the 20th of each month with a balloon principal payment due on January 20, 2021.

The principal balance as of June 30, 2019, was \$144,922. Annual debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2020	\$	\$ 7,373
2021	144,922	4,185
Totals	<u>\$ 144,922</u>	<u>\$ 11,558</u>

In case of default, the lessor may, without any further demand or notice, take one of any combination of the following remedial steps:

Terminate the lease term and give notice to the lessee to vacate or surrender the equipment within 7 days from the date of such notice;

Exercise all the rights and remedies of a secured party under the Kentucky Uniform Commercial Code with respect to the equipment and may otherwise repossess and liquidate or realize or foreclose upon the equipment in lawful manner; provided,

However that the lessor may not recover from the lessee any deficiency which may exist following the liquidation of such property;

Recover from the lessee:

- (1) The equipment payments which would otherwise have been payable hereunder during any period in which the lessee continues to use, occupy or retain possession of the equipment; and
- (2) Equipment payments which would otherwise have been payable by the Lessee hereunder after the lessee vacates or surrenders the equipment during the remainder of the fiscal year in which such event of default occurs.

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

Note 6. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

5. Sheridan Fire Project

On July 5, 2018, Crittenden County entered into a lease agreement with Kentucky Association of Counties in the amount of \$75,000. The purpose of the lease was to purchase equipment for Sheridan Fire Department. An agreement was entered into with Sheridan Fire Department whereas the fire department promised to timely make all payments when due and payable.

The principal balance as of June 30, 2019, was \$70,000. Annual debt service requirement to maturity are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2020	\$ 5,000	\$ 2,700
2021	5,000	2,500
2022	5,000	2,300
2023	5,000	2,100
2024	10,000	1,800
2025-2028	40,000	3,200
Totals	<u>\$ 70,000</u>	<u>\$ 14,600</u>

In case of default, the Lessor may, without any further demand or notice, take one of any combination of the following remedial steps:

- a. By appropriate court action, enforce the pledge set forth in the ordinance and the lease so that during the remaining lease term there is levied on all the taxable property in the lessee, in addition to all other taxes, without limitation as to the rate or amount, a direct tax annually in an amount sufficient to pay the lease rental payments when and as due;
- b. Take legal title to, and sell or release the project or any portion thereof;
- c. Take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the project under the lease, and/or take whatever action at law or in equity may appear necessary or desirable to enforce performance by the lessee of the applicable covenants and agreements of the lessee under the lease, and to recover damages for the breach thereof.

6. Financing Obligation - Fire Truck

On June 22, 2016, Crittenden County entered into a lease agreement with Kentucky Association of Counties in the amount of \$50,000. The purpose of the lease was to purchase a truck for Crittenden County Volunteer Fire Department. An agreement was entered into with Crittenden County Volunteer Fire Department whereas the fire department promised to timely make all payments when due and payable. The obligation was paid off during fiscal year 2019.

The principal balance as of June 30, 2019, was \$0.

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

Note 6. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

7. Financing Obligation - #22 Mack Truck

On April 10, 2018, Crittenden County entered into a lease agreement with Kentucky Association of Counties in the amount of \$141,922. The purpose of the lease was to purchase a truck for the road department. The interest rate is a fixed rate of 3.95% with payments due on the 20th of each month with a balloon principal payment due on October 20, 2019. The lease was paid off early during fiscal year 2019.

The principal balance as of June 30, 2019, was \$0.

8. Financing Obligation - #26 Emulsion Storage Tank

On August 13, 2015, Crittenden County entered into a lease agreement with Kentucky Association of Counties in the amount of \$46,900. The purpose of the lease was to purchase an emulsion storage tank for the road department. The interest rate is a fixed rate of 3.75% with payments due on the 20th of each month. The obligation was paid off during fiscal year 2019.

The principal balance as of June 30, 2019, was \$0.

9. Financing Obligation - Backhoe

On August 13, 2015, Crittenden County entered into a lease agreement with Caterpillar Financial Services in the amount of \$92,823. The purpose of the lease was to purchase a backhoe for the road department. The interest rate is variable with payments due monthly. The obligation was paid off during fiscal year 2019.

The principal balance as of June 30, 2019, was \$0.

B. Aggregate Debt Schedule

The amounts of required principal and interest payments on long-term obligations at June 30, 2019, were as follows:

Fiscal Year Ended June 30	Direct Borrowings and Direct	
	Principal	Scheduled Interest
2020	\$ 325,000	\$ 256,812
2021	479,922	240,543
2022	433,333	222,653
2023	340,000	211,067
2024	324,167	202,040
2025-2029	1,792,917	855,815
2030-2034	2,012,500	541,106
2035-2038	1,622,500	152,566
	<u>\$ 7,330,339</u>	<u>\$ 2,682,602</u>

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

Note 6. Long-term Debt (Continued)

C. Changes In Long-term Debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	\$ 7,655,119	\$ 219,922	\$ 544,702	\$ 7,330,339	\$ 325,000
Total Long-term Debt	<u>\$ 7,655,119</u>	<u>\$ 219,922</u>	<u>\$ 544,702</u>	<u>\$ 7,330,339</u>	<u>\$ 325,000</u>

Note 7. Conduit Debt

From time to time the county has issued bonds to provide financial assistance to various entities 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 Crittenden 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.

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.

The county's contribution for FY 2017 was \$333,431, FY 2018 was \$390,232, and FY 2019 was \$447,038.

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.

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

Note 8. Employee Retirement System (Continued)

Nonhazardous (Continued)

The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a 4 percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

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

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

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

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

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

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

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

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

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

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

Note 8. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

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

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

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

C. Cost of Living Adjustments - Tier 1

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

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

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

E. Death Benefit

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

KRS Annual Financial Report and Proportionate Share Audit Report

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

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

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

Note 9. Deferred Compensation

The Crittenden 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 10. Health Reimbursement Account/Flexible Spending Account

The Crittenden County Fiscal Court established a flexible spending account on July 1, 2014, to provide employees an additional health benefit. The county has contracted with a third-party administrator to administer the plan. The plan provides a debit card to each eligible employee providing \$500 each year to pay for qualified medical expenses. The balance of the plan is \$4,652 as of June 30, 2019.

Note 11. Insurance

For the fiscal year ended June 30, 2019, the Crittenden County Fiscal Court was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 12. Related Party Transactions

The Crittenden County Fiscal Court conducted business with a trailer sales company that was owned and operated by a former county magistrate. During the fiscal year, the county paid \$1,056 to this company. Also during the fiscal year, the Crittenden County Fiscal Court conducted business with an electrical company that was owned and operated by one of the county magistrates. During the fiscal year the county paid \$240 to this company.

Note 13. Payroll Revolving Account

The reconciled balance of the payroll revolving account of \$36,465, as of June 30, 2019, was added to the general fund cash balance for financial reporting purposes.

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

Note 14. Prior Period Adjustments

Financial Statement beginning balances were restated as follows:

	General Fund	Jail Fund	LGEA Fund	CDBG Fund	Jail Commissary Fund
Ending Fund Balances Prior Year	\$ 132,927	\$ 88,803	\$ 54,049	\$ 1	\$ 989
Rounding	3				1
Prior Year Voided Checks		407	4,520		
Fund Rolled Into General Fund				(1)	
Beginning Fund Balances	<u>\$ 132,930</u>	<u>\$ 89,210</u>	<u>\$ 58,569</u>	<u>\$ 0</u>	<u>\$ 990</u>

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

For The Year Ended June 30, 2019

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CRITTENDEN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2019

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 987,800	\$ 987,800	\$ 1,038,421	\$ 50,621
Excess Fees	60,000	60,000	43,594	(16,406)
Licenses and Permits	12,900	12,900	17,988	5,088
Intergovernmental	56,900	66,900	84,362	17,462
Miscellaneous	16,750	28,350	323,359	295,009
Interest	200	200	580	380
Total Receipts	<u>1,134,550</u>	<u>1,156,150</u>	<u>1,508,304</u>	<u>352,154</u>
DISBURSEMENTS				
General Government	429,390	478,696	443,753	34,943
Protection to Persons and Property	287,500	287,500	308,333	(20,833)
General Health and Sanitation	100	100		100
Roads	100	100		100
Capital Projects		12,000	6,000	6,000
Administration	626,335	586,629	445,581	141,048
Total Disbursements	<u>1,343,425</u>	<u>1,365,025</u>	<u>1,203,667</u>	<u>161,358</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(208,875)</u>	<u>(208,875)</u>	<u>304,637</u>	<u>513,512</u>
Other Adjustments to Cash (Uses)				
Borrowed Money			75,000	75,000
Transfers From Other Funds			367,000	367,000
Transfers To Other Funds			(482,505)	(482,505)
Total Other Adjustments to Cash (Uses)			<u>(40,505)</u>	<u>(40,505)</u>
Net Change in Fund Balance	(208,875)	(208,875)	264,132	473,007
Fund Balance - Beginning (Restated)	<u>208,875</u>	<u>208,875</u>	<u>132,930</u>	<u>(75,945)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 397,062</u>	<u>\$ 397,062</u>

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

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Licenses and Permits	\$	\$ 7,050	\$ 28,200	\$ 21,150
Intergovernmental	2,288,406	2,425,100	2,849,545	424,445
Charges for Services	51,500	51,500	80,935	29,435
Miscellaneous	158,500	162,674	199,170	36,496
Interest	13,500	13,500	16,311	2,811
Total Receipts	<u>2,511,906</u>	<u>2,659,824</u>	<u>3,174,161</u>	<u>514,337</u>
DISBURSEMENTS				
General Government	100	100	42	58
General Health and Sanitation	55,000	88,649	88,649	
Transportation Facilities and Services	22,500	26,228	23,858	2,370
Roads	1,172,545	1,324,034	1,362,315	(38,281)
Other Transportation Facilities and Services	804,000	1,167,654	1,167,654	
Debt Service	208,350	209,407	209,407	
Capital Projects	500	1,062	1,062	
Administration	984,511	578,290	357,173	221,117
Total Disbursements	<u>3,247,506</u>	<u>3,395,424</u>	<u>3,210,160</u>	<u>185,264</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(735,600)</u>	<u>(735,600)</u>	<u>(35,999)</u>	<u>699,601</u>
Other Adjustments to Cash (Uses)				
Borrowed Money			144,922	144,922
Transfers From Other Funds			177,503	177,503
Transfers To Other Funds			(62,000)	(62,000)
Total Other Adjustments to Cash (Uses)			<u>260,425</u>	<u>260,425</u>
Net Change in Fund Balance	(735,600)	(735,600)	224,426	960,026
Fund Balance - Beginning	<u>735,600</u>	<u>735,600</u>	<u>539,381</u>	<u>(196,219)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 763,807</u>	<u>\$ 763,807</u>

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

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 2,759,150	\$ 2,760,144	\$ 2,747,180	\$ (12,964)
Charges for Services	16,300	16,300	12,820	(3,480)
Miscellaneous	33,500	57,036	191,206	134,170
Interest	100	100	104	4
Total Receipts	<u>2,809,050</u>	<u>2,833,580</u>	<u>2,951,310</u>	<u>117,730</u>
DISBURSEMENTS				
Protection to Persons and Property	1,908,245	2,033,873	1,988,826	45,047
Debt Service	568,900	569,052	569,035	17
Administration	574,405	473,155	390,242	82,913
Total Disbursements	<u>3,051,550</u>	<u>3,076,080</u>	<u>2,948,103</u>	<u>127,977</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(242,500)</u>	<u>(242,500)</u>	<u>3,207</u>	<u>245,707</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			305,000	305,000
Transfers To Other Funds			<u>(305,000)</u>	<u>(305,000)</u>
Total Other Adjustments to Cash (Uses)				
Net Change in Fund Balance	(242,500)	(242,500)	3,207	245,707
Fund Balance - Beginning (Restated)	<u>242,500</u>	<u>242,500</u>	<u>89,210</u>	<u>(153,290)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 92,417</u>	<u>\$ 92,417</u>

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

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 150,000	\$ 150,000	\$ 112,177	\$ (37,823)
Intergovernmental	141,760	188,266	213,152	24,886
Charges for Services	2,000	2,000	2,664	664
Miscellaneous	2,500	17,101	15,688	(1,413)
Interest	100	100	148	48
Total Receipts	<u>296,360</u>	<u>357,467</u>	<u>343,829</u>	<u>(13,638)</u>
DISBURSEMENTS				
General Government	138,990	164,062	106,008	58,054
Protection to Persons and Property	36,550	53,411	51,008	2,403
General Health and Sanitation	39,000	39,472	38,837	635
Social Services	26,850	26,850	12,136	14,714
Recreation and Culture	54,750	83,028	59,667	23,361
Capital Projects	3,000	3,000	3,000	
Administration	51,475	41,899	37,872	4,027
Total Disbursements	<u>350,615</u>	<u>411,722</u>	<u>308,528</u>	<u>103,194</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(54,255)</u>	<u>(54,255)</u>	<u>35,301</u>	<u>89,556</u>
Net Change in Fund Balance	(54,255)	(54,255)	35,301	89,556
Fund Balance - Beginning (Restated)	<u>54,255</u>	<u>54,255</u>	<u>58,569</u>	<u>4,314</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 93,870</u>	<u>\$ 93,870</u>

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

	E-911 FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 20,000	\$ 20,000	\$ 20,174	\$ 174
Interest	100	100	103	3
Total Receipts	<u>20,100</u>	<u>20,100</u>	<u>20,277</u>	<u>177</u>
DISBURSEMENTS				
Protection to Persons and Property	15,900	21,736	20,742	994
Administration	86,200	80,364		80,364
Total Disbursements	<u>102,100</u>	<u>102,100</u>	<u>20,742</u>	<u>81,358</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(82,000)</u>	<u>(82,000)</u>	<u>(465)</u>	<u>81,535</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			2	2
Total Other Adjustments to Cash (Uses)			<u>2</u>	<u>2</u>
Net Change in Fund Balance	(82,000)	(82,000)	(463)	81,537
Fund Balance - Beginning	82,000	82,000	82,262	262
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 81,799</u>	<u>\$ 81,799</u>

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

	E-911 WIRELESS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 500	\$ 500	\$	\$ (500)
Interest	100	100	171	71
Total Receipts	<u>600</u>	<u>600</u>	<u>171</u>	<u>(429)</u>
DISBURSEMENTS				
Protection to Persons and Property	100	100		100
Administration	68,500	68,500		68,500
Total Disbursements	<u>68,600</u>	<u>68,600</u>		<u>68,600</u>
Net Change in Fund Balance	(68,000)	(68,000)	171	68,171
Fund Balance - Beginning	68,000	68,000	67,943	(57)
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 68,114</u>	<u>\$ 68,114</u>

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

June 30, 2019

Note 1. Budgetary Information

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

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

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

Note 2. Reconciliation of the General Fund

Other Adjustments to Cash (Uses) - Budgetary Basis	\$ (40,505)
To adjust for the change in the payroll revolving account	<u>19,137</u>
Total Other Adjustments to Cash (Uses) - Regulatory Basis	<u>\$ (21,368)</u>
Fund Balance - Ending - Budgetary Basis	\$ 397,062
To adjust for the change in the payroll revolving account	<u>19,137</u>
Total Fund Balance - Ending - Regulatory Basis	<u>\$ 416,199</u>

Note 3. Excess of Disbursements Over Appropriations

General fund protection to person and property exceeded budgeted appropriations by \$20,833 and road fund roads exceeded budgeted appropriations by \$38,281.

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

For The Year Ended June 30, 2019

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CRITTENDEN COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2019

The fiscal court reports the following Schedule of Capital Assets:

	(Restated) Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 223,690	\$ 13,000	\$	\$ 236,690
Buildings and Building Improvements*	13,646,227	56,400		13,702,627
Machinery and Equipment*	2,499,542	136,147		2,635,689
Vehicles*	166,762	4,583		171,345
Infrastructure*	36,177,215	441,983		36,619,198
 Total Capital Assets	 <u>\$ 52,713,436</u>	 <u>\$ 652,113</u>	 <u>\$ 0</u>	 <u>\$ 53,365,549</u>

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

June 30, 2019

Note 1. Capital Assets

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

	<u>Capitalization Threshold</u>	<u>Useful Life (Years)</u>
Land Improvements	\$ 25,000	10-60
Buildings and Building Improvements	\$ 75,000	10-75
Machiner & Equipment	\$ 75,000	3-25
Vehicles	\$ 20,000	3-25
Infrastructure	\$ 60,000	10-50

Note 2. Restatement of Capital Assets Beginning Balance

The Crittenden County Fiscal Court's Capital Asset Schedule's beginning balance differs from the prior year audited Capital Asset Schedule's ending balance. This is due to additions, deletions, and errors made in prior years and errors made by the fiscal court in preparing the current year's schedule.

The following illustrates the difference between the two schedules:

	<u>Prior Year Audited Ending Balance</u>	<u>Difference</u>	<u>Current Year Beginning Balance</u>
Land and Land Improvements	\$ 223,690	\$	\$ 223,690
Buildings and Building Improvements	14,216,369	(570,142)	13,646,227
Machinery and Equipment	1,029,735	1,469,807	2,499,542
Vehicles	1,470,048	(1,303,286)	166,762
Infrastructure	<u>35,632,561</u>	<u>544,654</u>	<u>36,177,215</u>
Total Capital Assets	<u>\$ 52,572,403</u>	<u>\$ 141,033</u>	<u>\$ 52,713,436</u>

**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 Perry Newcom, Crittenden County Judge/Executive
Members of the Crittenden 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 Crittenden County Fiscal Court for the fiscal year ended June 30, 2019, and the related notes to the financial statement which collectively comprise the Crittenden County Fiscal Court's financial statement and have issued our report thereon dated December 15, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Crittenden County Fiscal Court's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Crittenden County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Crittenden County Fiscal Court's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses 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 Responses as items 2019-001 and 2019-003 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 Responses as items 2019-002 and 2019-004 to be significant deficiencies.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Crittenden County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 Responses as items 2019-001 and 2019-003.

Views of Responsible Officials and Planned Corrective Action

Crittenden County's views and planned corrective action for the findings identified in our audit are included in the accompanying Schedule of Findings and Responses. The county's responses were not subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we express no opinion on them.

Purpose of this Report

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

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

December 15, 2020

**CRITTENDEN COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2019

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**CRITTENDEN COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2019

FINANCIAL STATEMENT FINDINGS:

2019-001 The Crittenden County Fiscal Court Failed To Implement Adequate Internal Controls Over Cash Transfers

The Crittenden County Fiscal Court does not have control over cash transfers. Although all cash transfers were approved by the fiscal court, the actual cash transfers were performed before the dates the fiscal court voted on them per the fiscal court minutes. None of the \$849,505 that was transferred during fiscal year 2019 had prior fiscal court approval.

This is due to the fiscal court passing an agreement before the start of the fiscal year allowing the treasurer to make transfers before their approval by fiscal court. However, this agreement only allows transfers between bank accounts to keep the bank accounts funded, and does not specify that cash transfers can be done before fiscal court approval. By cash transfers being made before their approval by fiscal court, the risk of misappropriation is increased. Funds could be used in a way that the fiscal court does not agree upon.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The uniform system of accounts is set forth in the Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual* which outlines requirements for counties' handling of public funds, including guidelines for fund transfers. Per the DLG manual page 73, "All transfers require a court order." Strong internal controls require fiscal court to approve all cash transfers before they are made to ensure proper oversight.

We recommend that the Crittenden County Fiscal Court approve all cash transfers prior to the treasurer actually transferring the funds.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: We discovered a documentation dating error within our system that dated back several years. This is not a repeat finding however, it should have been. This was corrected as of July 2020.

2019-002 The Crittenden County Jail Inappropriately Used A Debit Card For Jail Commissary Purchases

During the 2019 fiscal year, the jail regularly used a bank debit card for commissary account purchases. No documented review or approval process was present for debit card transactions prior to the purchase being made. This was due to the jailer being unaware that debt card use is prohibited. The use of a debit card allowed the jailer to circumvent the review and approval procedures for jail commissary disbursements. This increases the risk of misappropriation of funds.

Strong internal controls require all purchases to be made with checks that have two authorized signatures to reduce the risk of fraud or misappropriation. Additionally, proper internal controls over commissary disbursements are important to ensure disbursements are properly handled and are in compliance with applicable laws and regulations.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2019-002 The Crittenden County Jail Inappropriately Used A Debit Card For Jail Commissary Purchases
(Continued)

The Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual* outlines minimum accounting and reporting requirements pursuant to the authority to prescribe a system of uniform accounts for all counties and county officials given to the state local finance officer by KRS 68.210. As outlined in the *County Budget Preparation and State Local Finance Officer Policy Manual* Jail Commissary Fund Instructions for Disbursements Journal, each check written must be posted to the proper category listed on the form. All expenditures made must be paid by check.

We recommend that the Crittenden County Jailer discontinue the practice of using debit cards for purchases made from the commissary account.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: We disagree with this finding. This practice has been accomplished for the past six years with no notice of finding. The Jailer has responsibility for Commissary funds and makes purchases to supply Jail Commissary, as necessary. The Jailer was unaware debit card use is prohibited however, it is our opinion the debit card is more applicable because purchases cannot be made unless there is adequate balance in the account to cover the purchase and all purchases are reviewed prior to purchase by the Jailer and his Admin Staff as well as all receipts reconciled with purchases being made. A credit card would be less responsible due to the ability to make purchases without having funds available from which to pay for said purchases.

County Jailer's Response: The official had no response

Auditor's Reply: The Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual* requires that all disbursement should be made by check.

2019-003 The Crittenden County Fiscal Court Failed To Implement Adequate Internal Controls Over Disbursements And Was Not Compliance With Various Statutes

This is a repeat finding and was included in the prior year audit report as finding 2018-003. During our review and testing of 93 disbursements of the Crittenden County Fiscal Court, we noted the following exceptions:

- One invoice was not paid within 30 working days of receipt by the fiscal court.
- Paid \$62.10 and \$13.07 in sales tax and finance charges, respectively.
- Seven instances where disbursements exceeded budgeted appropriations.
- 22 instances where a purchase order was not issued until after the purchase had already been made.
- 37 instances where a purchase order was not issued due to, pre-approval by the county's annual standing order to pre-approve certain recurring expenses.
- The bid price did not agree to the amount paid for one vendor.
- The Crittenden County Fiscal Court failed to re-bid for the jail food service provider for fiscal year 2019. The fiscal court initially bid and entered into a renewable contract with the food service provider in 2013. The fiscal court paid \$283,449 for fiscal year 2019 to the jail service provider.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2019-003 The Crittenden County Fiscal Court Failed To Implement Adequate Internal Controls Over Disbursements And Was Not Compliance With Various Statutes (Continued)

The Crittenden County Fiscal Court failed to implement internal controls over disbursements and bidding to ensure proper handling and compliance with applicable laws. The fiscal court's failure to establish effective internal controls over disbursements resulted in numerous instances of noncompliance reflected above. These deficiencies could also result in line items being over budget, claims being paid not related to the fiscal court, inaccurate reporting, and misappropriation of assets. Additionally, the fiscal court paid more than the bid price for one vendor.

KRS 65.140(2) states, "[u]nless the purchaser and vendor otherwise contract, all bills for goods and services shall be paid within thirty (30) working days of receipt of a vendor's invoice except when payment is delayed because the purchaser has made a written disapproval of improper performances or improper invoicing by the vendor or by the vendor's subcontractor."

KRS 68.210 gives the state local finance officer the authority to prescribe a system of uniform accounts. The Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual* which outlines requirements for counties' handling of public funds, including required purchasing procedures for counties.

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

KRS 424.260(1) 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 twenty thousand dollars (\$20,000) without first making newspaper advertisement for bids."

Additionally, strong internal controls over disbursements are vital in ensuring that disbursements have been accounted for properly and are in compliance with applicable statutes.

We recommend the Crittenden County Fiscal Court strengthen internal control procedures over disbursements, by reviewing disbursements to ensure that all invoices are paid timely and that sales tax is not being paid. We also recommend that the Crittenden County Fiscal Court strengthen their internal controls over purchase orders and ensure that purchase orders are obtained prior to all purchases being made, as well as ensure that purchase requests are not approved in an amount that exceeds the available line item appropriation without the appropriate transfers being made. We further recommend that the fiscal court ensure compliance with bid laws governing competitive procurement. The fiscal court should also ensure that bid prices agree to amount billed on invoices.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2019-003 The Crittenden County Fiscal Court Failed To Implement Adequate Internal Controls Over Disbursements And Was Not Compliance With Various Statutes (Continued)

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: This finding is multi-layered in nature and we disagree with a portion of the finding and we have corrected other portions of this finding. We disagree with the finding regarding the non-issuance of a purchase orders for recurring expenses and payroll due to the fact of a statement of record issued by DLG in 2016 highly recommending the practice of issuing purchase orders for utility bills an payroll. It did not mandate the use of purchase orders for such. Both these items of payment are for goods and services already received which violates the requirement for a purchase order to be issued prior to purchases, not after. The other disagreement is that we were unaware Jail food services contracts were to be re-bid. The Jailer has been extremely satisfied with the current service provider and accomplishes a periodic price comparison review with other vendors to ensure pricing is competitive. If rebid, we would risk the possibility of losing a very reliable and trusted vender with whom a quality and reliable service has been established. Other portions of this finding where one sole invoice was not paid within 30 days and we have eliminated this by requiring all departments to submit invoices on a weekly basis. A finding of sales tax being paid of less than \$100.00 for the entire year which may occur periodically due to purchases from states that do not reciprocate our state sales tax exemption status and we do not feel this can be avoided in its entirety. Purchase orders being issued after purchases made has been corrected and was a result of a program issue of auto-changing the dates to reflect the actual date of data entry versus the date of PO issuance.

Auditor's Reply: The Department of Local Government provided guidance to all county treasurers that payroll and utilities included on standing orders should have corresponding purchase orders in order to document that cash and budget were available prior to the expense being paid. The use of standing orders does not preclude the use of purchase orders. The proper use of purchase orders also strengthens internal controls over disbursements.

KRS 424.260(1) only exempts professional services as well as perishable meat, fish, and vegetables from the requirements for advertising for bids. Food service is not a professional service, and the contract for food service includes meal preparation service, and other items mentioned in the contract that do not fall within the exemption for perishable food items. Therefore, the contract for jail food service should have been advertised for bid.

2019-004 The Crittenden County Fiscal Court Failed To Implement Adequate Internal Controls Over Debt And Debt Service

This is a repeat finding and was included in the prior year audit report as findings 2018-001. Significant internal control deficiencies existed over the reporting of debt and debt service of the Crittenden County Fiscal Court, and the following discrepancies were noted:

- The Crittenden County Fiscal Court borrowed \$144,922 in June 2019 for the purchase of a 2020 Mack truck. The loan proceeds were paid directly to the vendor on behalf of the fiscal court for this purchase. Therefore, it was not included in the county's financial statements as a budgeted disbursement for fiscal year ended June 30, 2019.
- In July 2018, the Crittenden County Fiscal Court borrowed \$75,000 for the Sheridan Fire Project. The loan proceeds were paid directly to the Sheridan Fire Department. Therefore, it was not included in the county's financial statements as a budgeted disbursement for fiscal year ended June 30, 2019.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2019-004 The Crittenden County Fiscal Court Failed To Implement Adequate Internal Controls Over Debt And Debt Service (Continued)

- The June 30, 2019 outstanding debt balances reported on the fourth quarter financial report were misstated when compared to the actual debt balances confirmed with lenders. According to the fourth quarter financial report, total long-term liabilities were \$7,330,339 as of June 30, 2019. This balance was understated by \$70,000, for the remaining balance of the Sheridan Fire Project.
- Interest balances were also understated by \$17,434.

The county failed to implement a strong internal control system over debt and debt service. The county treasurer was unaware that all debt borrowed in the name of the fiscal court should be disclosed on the fourth quarter financial report. She thought since a third party was responsible for making these debt payments this debt didn't require disclosure on the fourth quarter financial report. Additionally, the county treasurer was not aware that she needed to budget for or record loan proceeds when they were paid directly by the lender to the vendor, since she did not directly receive these funds. This lack of internal controls resulted in the county's fourth quarter financial report being misstated. As well as, by not properly budgeting these items or properly recording all transactions the fiscal court overspent protection to persons and property of the general fund by \$20,833 and roads of the road fund by \$38,281.

Strong internal controls over outstanding debt and debt service are necessary to ensure accurate financial reporting. KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts for all counties and county officials. The Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual* outlines minimum requirements for the handling of public funds, including outstanding debt and liabilities. It also requires all borrowed money received and repaid must be reflected in the county budget. 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.

We recommend the county strengthen internal controls over the reporting of debt service payments and outstanding liability balances. Internal controls, such as comparisons of payment amounts and outstanding balances to amortization and payment schedules, should be implemented. We also recommend the county consult with its lenders to verify outstanding debt balances are in agreement with the county's schedule of leases and liabilities. The fiscal court should also, ensure that they properly budget and record all borrowed money and any related purchases, as well as, any debt service payments. Such practices will strengthen internal controls over liabilities and debt service and ensure that proper amounts are reported.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: These stemmed from debts carried by our local Volunteer Fire Departments and we were unaware it was our responsibility to report for these outside agencies. This has since been corrected as of FY-21 and have been added to our reporting procedures as required.

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

CRITTENDEN COUNTY FISCAL COURT

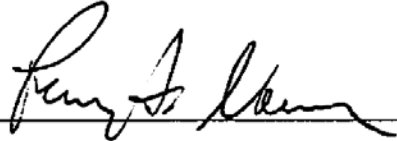
For The Year Ended June 30, 2019

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CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
COUNTY FISCAL COURT

For The Year Ended June 30, 2019

The Crittenden 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.



County Judge/Executive



County Treasurer