

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

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



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

To the People of Kentucky  
The Honorable Andy Beshear, Governor  
Holly M. Johnson, Secretary  
Finance and Administration Cabinet  
The Honorable 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, 2020, 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, 2020, or changes in financial position or cash flows thereof for the year then ended.

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

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

### **Other Matters**

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of the 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  
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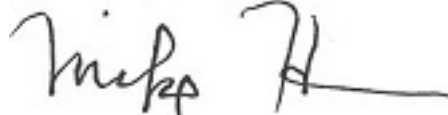
**Other Reporting Required by *Government Auditing Standards***

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 included herein, which discusses the following report findings:

- 2020-001 The Crittenden County Fiscal Court Failed To Implement Adequate Internal Controls Over Cash Transfers
- 2020-002 The Crittenden County Fiscal Court Failed To Implement Adequate Internal Controls Over Disbursements And Was Not In Compliance With Various Statutes
- 2020-003 The Crittenden County Jail Inappropriately Used A Debit Card For Jail Commissary Purchases
- 2020-004 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, 2020****Fiscal Court Members:**

Perry A. Newcom	County Judge/Executive
Dave Belt	Magistrate
Todd Perryman	Magistrate
Willard Guill	Magistrate
Chad Thomas	Magistrate
Greg Rushing	Magistrate
J. Dan Wood	Magistrate

**Other Elected Officials:**

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

**Appointed Personnel:**

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, 2020**

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

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

	<b>Budgeted Funds</b>			
	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Local Government Economic Assistance Fund</b>
<b>RECEIPTS</b>				
Taxes	\$ 1,115,189	\$	\$	\$
Excess Fees	35,342			
Licenses and Permits	19,677			28,200
Intergovernmental	151,890	3,489,820	2,886,706	68,560
Charges for Services			65,893	113,151
Miscellaneous	186,846	138,661	166,264	27,345
Interest	3,878	15,242	1,224	1,248
Total Receipts	<u>1,512,822</u>	<u>3,643,723</u>	<u>3,120,087</u>	<u>238,504</u>
<b>DISBURSEMENTS</b>				
General Government	647,373			44,523
Protection to Persons and Property	363,498		2,156,752	102,077
General Health and Sanitation	10,000			198,845
Social Services				20,258
Recreation and Culture				9,931
Transportation Facility and Services		34,275		
Roads		2,390,788		
Other Transportation Facilities and Services		1,217,580		
Debt Service		162,080	566,739	
Capital Projects				3,500
Administration	362,553	332,226	477,709	41,719
Total Disbursements	<u>1,383,424</u>	<u>4,136,949</u>	<u>3,201,200</u>	<u>420,853</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>129,398</u>	<u>(493,226)</u>	<u>(81,113)</u>	<u>(182,349)</u>
<b>Other Adjustments to Cash (Uses)</b>				
Borrowed Money	35,500	323,982		23,639
Transfers From Other Funds	143,000		143,000	198,000
Transfers To Other Funds	(341,000)		(143,000)	(125,000)
Total Other Adjustments to Cash (Uses)	<u>(162,500)</u>	<u>323,982</u>	<u></u>	<u>96,639</u>
Net Change in Fund Balance	(33,102)	(169,244)	(81,113)	(85,710)
Fund Balance - Beginning (Restated)	<u>379,734</u>	<u>763,845</u>	<u>92,417</u>	<u>93,871</u>
Fund Balance - Ending	<u>\$ 346,632</u>	<u>\$ 594,601</u>	<u>\$ 11,304</u>	<u>\$ 8,161</u>
<b>Composition of Fund Balance</b>				
Bank Balance	\$ 350,370	\$ 132,022	\$ 11,304	\$ 10,950
Less: Outstanding Checks	(3,738)	(41,397)		(2,789)
Investments		503,976		
Fund Balance - Ending	<u>\$ 346,632</u>	<u>\$ 594,601</u>	<u>\$ 11,304</u>	<u>\$ 8,161</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, 2020**  
**(Continued)**

Budgeted Funds			Unbudgeted Funds		
E-911 Fund	E-911 Wireless Fund	Economic Development Fund	Riverview Park Board Fund	Jail Commissary Fund	Total Funds
\$ 18,672	\$	\$	\$	\$	\$ 1,133,861
					35,342
					47,877
					6,596,976
			15,175		194,219
				599,540	1,118,656
691	799	161	447	25	23,715
19,363	799	161	15,622	599,565	9,150,646
					691,896
59,521					2,681,848
					208,845
					20,258
			13,232	599,272	622,435
					34,275
					2,390,788
					1,217,580
					728,819
					3,500
					1,214,207
59,521			13,232	599,272	9,814,451
(40,158)	799	161	2,390	293	(663,805)
					383,121
		125,000			609,000
					(609,000)
		125,000			383,121
(40,158)	799	125,161	2,390	293	(280,684)
81,799	68,114		37,186	943	1,517,909
\$ 41,641	\$ 68,913	\$ 125,161	\$ 39,576	\$ 1,236	\$ 1,237,225
\$ 44,896	\$ 68,913	\$ 125,161	\$ 39,576	\$ 1,236	\$ 784,428
(3,255)					(51,179)
					503,976
\$ 41,641	\$ 68,913	\$ 125,161	\$ 39,576	\$ 1,236	\$ 1,237,225

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

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**CRITTENDEN COUNTY  
NOTES TO FINANCIAL STATEMENT**

**June 30, 2020**

**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, 2020**  
**(Continued)**

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

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

**Budgeted Funds (Continued)**

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

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

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

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.

Economic Development Fund - The purpose of this fund is to account for grants and related disbursements that are used for economic development.

**Unbudgeted Funds**

The fiscal court reports the following unbudgeted funds:

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 budgeted fund.

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

**D. Budgetary Information**

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

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

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

**D. Budgetary Information (Continued)**

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.

**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.

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.

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

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

**H. Jointly Governed Organizations**

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 of the Crittenden County Fiscal Court: the Crittenden-Livingston County Water District.

**Note 2. Deposits and Investments**

**A. Deposits**

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

**Custodial Credit Risk - Deposits**

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

**B. Investments**

As of June 30, 2020, 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	\$ 503,976	\$	\$	\$ 503,976	\$
Total Fund Balance	\$ 503,976	\$ 0	\$ 0	\$ 503,976	\$ 0



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

**Note 2. Deposits and Investments (Continued)**

**B. Investments (Continued)**

**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) or 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 \$503,976 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, including obligations subject to repurchase agreements, if delivery of these obligations subject to repurchase agreements is taken either directly or through an authorized custodian. These investments may be accomplished through repurchase agreements reached with sources including but not limited to national or state banks chartered in Kentucky;
- 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, including but not limited to:
  - a. United States Treasury;
  - b. Export-Import Bank of the United States;
  - c. Farmers Home Administration;
  - d. Government National Mortgage Corporation; and
  - e. Merchant Marine bonds;
- 3) Obligations of any corporation of the United States government, including but not limited to:
  - a. Federal Home Loan Mortgage Corporation;
  - b. Federal Farm Credit Banks;
  - c. Bank for Cooperatives;
  - d. Federal Intermediate Credit Banks;
  - e. Federal Land Banks;
  - f. Federal Home Loan Banks;
  - g. Federal National Mortgage Association; and
  - h. Tennessee Valley Authority;
- 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(4);
- 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;

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

**Note 2. Deposits and Investments (Continued)**

**B. Investments (Continued)**

- 10) Shares of mutual funds and exchange traded funds, each of which shall have the following characteristics:
- The mutual funds shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended.
  - The management company of the investment company shall have been in operation for at least five years; and
  - All of the securities in the mutual fund shall be eligible investments pursuant to this section;
- 11) Individual equity securities if the funds being invested are managed by a professional investment manager regulated by a federal regulatory agency. The individual equity securities shall be included within the Standard and Poor's 500 Index, and a single sector shall not exceed twenty-five percent (25%) of the equity allocation; and
- 12) Individual high-quality corporate bonds that are managed by a professional investment manager that:
- Are issued, assumed, or guaranteed by a solvent institution created and existing under the laws of the United States;
  - Have a standard maturity of no more than ten years; and
  - Are rated in the three highest rating categories by at least two competent credit rating agencies.

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, 2020, the fiscal court does not have any investments in these categories.

The fiscal court's rated investments, as of June 30, 2020, and the ratings are presented in the table below. All issuers of the municipal bonds are located in the Commonwealth of Kentucky.

Type	Standard & Poor's/Moody's Credit Ratings					Cost Basis
	AAA/Aaa	AA/Aa	A	WR	Unrated/NA	
Fixed Deferred Annuity	\$	\$ 503,976	\$	\$	\$	\$ 503,976
Total Fund Balance	\$	0 \$ 503,976	\$	0 \$	0 \$	0 \$ 503,976

**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.

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

**Note 3. Transfers**

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

	General Fund	Jail Fund	LGEA Fund	Total Transfers In
General Fund	\$	\$ 143,000	\$	\$ 143,000
Jail Fund	143,000			143,000
LGEA Fund	198,000			198,000
Economic Development Fund			125,000	125,000
Total Transfers Out	<u>\$ 341,000</u>	<u>\$ 143,000</u>	<u>\$ 125,000</u>	<u>\$ 609,000</u>

Reason for transfers:

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

**Note 4. Custodial Funds**

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

The fiscal court has the following custodial fund:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2020, was \$72,281.

**Note 5. Assets Held For Resale**

Assets held for resale activity for the year ended June 30, 2020, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Assets Held For Resale:				
Mack Trucks (2)	\$ 144,922	\$ 146,422	\$ 144,922	\$ 146,422
Totals	<u>144,922</u>	<u>\$ 146,422</u>	<u>\$ 144,922</u>	<u>\$ 146,422</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.

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

The principal balance as of June 30, 2020, was \$730,000. Annual debt service requirement to maturity are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 195,000	\$ 30,637
2022	205,000	20,149
2023	15,000	14,137
2024	15,000	13,349
2025	15,000	12,562
2026-2030	100,000	49,745
2031-2035	110,000	30,573
2036-2038	75,000	8,257
Totals	<u>\$ 730,000</u>	<u>\$ 179,409</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;

(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, 2020, was \$5,955,417. Annual debt service requirement to maturity are as follows:

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

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 95,000	\$ 200,496
2022	178,333	198,379
2023	295,000	194,143
2024	299,167	186,891
2025	309,167	178,933
2026-2030	1,673,750	747,328
2031-2035	1,962,083	438,226
2036-2038	<u>1,142,917</u>	<u>80,663</u>
Totals	<u>\$ 5,955,417</u>	<u>\$ 2,225,059</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;

(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, 2020, was \$110,000. Annual debt service requirements to maturity are as follows:

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

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

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

**3. 2016 Financing Obligation - Detention Center Remodeling (Continued)**

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 40,000	\$ 2,725
2022	45,000	1,825
2023	25,000	687
Totals	<u>\$ 110,000</u>	<u>\$ 5,237</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;

(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 - #25 Rescue Squad Truck**

On September 5, 2019, Crittenden County entered into a lease agreement with Kentucky Association of Counties in the amount of \$23,639. The purpose of the lease was to purchase a vehicle for the Crittenden County Rescue Squad. An agreement was entered into with the Crittenden County Rescue Squad were they promised to timely make all payments when due and payable.

The principal balance as of June 30, 2020, was \$23,639. Annual debt service requirement to maturity are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 4,373	\$ 933
2022	4,537	769
2023	4,719	588
2024	4,907	399
2025	5,103	203
Totals	<u>\$ 23,639</u>	<u>\$ 2,892</u>

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

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

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

**4. Financing Obligation - #25 Rescue Squad Truck (Continued)**

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

- (A) Terminate the lease term and give notice to the lessee to vacate or surrender the equipment within sixty days from the date of such notice
- (B) 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; sell or release the project or any portion thereof.
- (C) Recover from the lessee 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. Recover any payments which would have been made during the remainder of the fiscal year in which the default occurred.

**5. Financing Obligation - #26 Road Equipment**

On March 18, 2020, the Crittenden County Fiscal Court entered into a financing agreement with the Kentucky Association of Counties Leasing Trust in the amount of \$177,560 for the purpose of purchasing road equipment. The interest rate is a fixed rate of 3.77% with payments due on the 20th of each month with the final principal payment due on March 20, 2025.

The principal balance as of June 30, 2020, was \$169,489. Annual debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 33,725	\$ 5,810
2022	34,740	4,522
2023	35,786	3,194
2024	36,864	1,826
2025	28,374	447
Totals	<u>\$ 169,489</u>	<u>\$ 15,799</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,

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

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

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

**5. Financing Obligation - #26 Road Equipment (Continued)**

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

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.

**6. Financing Obligation - #27 Fire Equipment**

On April 21, 2020, Crittenden County entered into a lease agreement with Kentucky Association of Counties in the amount of \$35,500. The purpose of the lease was to purchase equipment for the Crittenden County Volunteer Fire Department. An agreement was entered into with the Crittenden County Volunteer Fire Department whereas the fire department promised to timely make all payments when due and payable.

The principal balance as of June 30, 2020, was \$35,500. Annual debt service requirement to maturity are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 17,349	\$ 1,487
2022	18,151	684
Totals	<u>\$ 35,500</u>	<u>\$ 2,171</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) 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;
- (B) 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,
- (C) Recover from the lessee 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;
- (D) Recover from the lessee 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, 2020**  
**(Continued)**

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

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

**7. Financing Obligation - #28 Mack Truck**

On April 24, 2020, the Crittenden County Fiscal Court entered into a financing agreement with the Kentucky Association of Counties Leasing Trust in the amount of \$146,422 for the purpose of purchasing a Mack truck. The interest rate is a fixed rate of 3.74% with payments due on the 20th of each month with a balloon principal payment due on November 20, 2021.

The principal balance as of June 30, 2020, was \$146,422. Annual debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$	\$ 5,476
2022	146,422	2,282
Totals	<u>\$ 146,422</u>	<u>\$ 7,758</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.

**8. Financing Obligation - 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.

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

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

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

**8. Financing Obligation - Sheridan Fire Project (Continued)**

The principal balance as of June 30, 2020, was \$65,000. Annual debt service requirement to maturity are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 5,000	\$ 2,500
2022	5,000	2,300
2023	5,000	2,100
2024	10,000	1,800
2025	10,000	1,400
2026-2028	30,000	1,800
Totals	<u>\$ 65,000</u>	<u>\$ 11,900</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.

**9. 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 loan was paid off early in April 2020.

The principal balance as of June 30, 2020, was \$0.

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

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

**B. Aggregate Debt Schedule**

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

Fiscal Year Ended June 30	Direct Borrowings and Direct Placements	
	Principal	Scheduled Interest
2021	\$ 390,447	\$ 250,064
2022	637,183	230,910
2023	380,505	214,849
2024	365,938	204,265
2025	367,644	193,545
2026-2030	1,803,750	798,873
2031-2035	2,072,083	468,799
2036-2038	1,217,917	88,920
	<u>7,235,467</u>	<u>2,450,225</u>

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

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	\$ 7,330,339	\$ 383,121	\$ 477,993	\$ 7,235,467	\$ 390,447
Total Long-term Debt	<u>\$ 7,330,339</u>	<u>\$ 383,121</u>	<u>\$ 477,993</u>	<u>\$ 7,235,467</u>	<u>\$ 390,447</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.

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

**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 2018 was \$390,232, FY 2019 was \$447,038, and FY 2020 was \$542,109.

Nonhazardous

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

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

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

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

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

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

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

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

Other Post-Employment Benefits (OPEB) (Continued)

A. Health Insurance Coverage - Tier 1 (Continued)

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

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

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

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

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

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

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

C. Cost of Living Adjustments - Tier 1

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

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

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

Other Post-Employment Benefits (OPEB) (Continued)

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

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

E. Death Benefit

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

KRS Annual Financial Report and Proportionate Share Audit Report

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

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

**Note 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.

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

**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 \$4,179 as of June 30, 2020.

**Note 11. Insurance**

For the fiscal year ended June 30, 2020, 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. Prior Period Adjustments**

Financial Statement beginning balances were restated as follows:

	General Fund	Road Fund
Ending Fund Balances Prior Year	\$ 416,199	\$ 763,807
Payroll Revolving Account	(36,465)	
Error in Interest Earned		38
Beginning Fund Balances Restated	<u>\$ 379,734</u>	<u>\$ 763,845</u>

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

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

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

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

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 1,159,800	\$ 1,167,631	\$ 1,115,189	\$ (52,442)
Excess Fees	59,000	59,000	35,342	(23,658)
Licenses and Permits	17,000	19,300	19,677	377
Intergovernmental	108,400	148,872	151,890	3,018
Miscellaneous	130,500	165,593	186,846	21,253
Interest	200	3,107	3,878	771
<b>Total Receipts</b>	<u>1,474,900</u>	<u>1,563,503</u>	<u>1,512,822</u>	<u>(50,681)</u>
<b>DISBURSEMENTS</b>				
General Government	551,975	686,533	647,373	39,160
Protection to Persons and Property	350,000	388,490	363,498	24,992
General Health and Sanitation		10,000	10,000	
Administration	393,855	413,013	362,553	50,460
<b>Total Disbursements</b>	<u>1,295,830</u>	<u>1,498,036</u>	<u>1,383,424</u>	<u>114,612</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>179,070</u>	<u>65,467</u>	<u>129,398</u>	<u>63,931</u>
<b>Other Adjustments to Cash (Uses)</b>				
Borrowed Money		35,500	35,500	
Transfers From Other Funds			143,000	143,000
Transfers To Other Funds	(480,700)	(480,700)	(341,000)	139,700
<b>Total Other Adjustments to Cash (Uses)</b>	<u>(480,700)</u>	<u>(445,200)</u>	<u>(162,500)</u>	<u>282,700</u>
Net Change in Fund Balance	(301,630)	(379,733)	(33,102)	346,631
Fund Balance - Beginning (Restated)	<u>301,630</u>	<u>379,733</u>	<u>379,734</u>	<u>1</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 346,632</u>	<u>\$ 346,632</u>

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

	<b>ROAD FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 2,731,260	\$ 3,433,531	\$ 3,489,820	\$ 56,289
Miscellaneous	153,500	153,500	138,661	(14,839)
Interest	17,000	17,000	15,242	(1,758)
Total Receipts	<u>2,901,760</u>	<u>3,604,031</u>	<u>3,643,723</u>	<u>39,692</u>
<b>DISBURSEMENTS</b>				
Transportation Facilities and Services	21,000	34,533	34,275	258
Roads	1,188,700	2,288,748	2,390,788	(102,040)
Other Transportation Facilities and Services	1,229,760	1,229,760	1,217,580	12,180
Debt Service	156,800	162,080	162,080	
Administration	1,094,880	678,290	332,226	346,064
Total Disbursements	<u>3,691,140</u>	<u>4,393,411</u>	<u>4,136,949</u>	<u>256,462</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(789,380)</u>	<u>(789,380)</u>	<u>(493,226)</u>	<u>296,154</u>
<b>Other Adjustments to Cash (Uses)</b>				
Borrowed Money			323,982	323,982
Transfers From Other Funds	150,000	150,000		(150,000)
Total Other Adjustments to Cash (Uses)	<u>150,000</u>	<u>150,000</u>	<u>323,982</u>	<u>173,982</u>
Net Change in Fund Balance	(639,380)	(639,380)	(169,244)	470,136
Fund Balance - Beginning (Restated)	<u>639,380</u>	<u>639,380</u>	<u>763,845</u>	<u>124,465</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 594,601</u>	<u>\$ 594,601</u>

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

	<b>JAIL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 2,792,550	\$ 2,876,730	\$ 2,886,706	\$ 9,976
Charges for Services	34,250	51,535	65,893	14,358
Miscellaneous	84,100	84,100	166,264	82,164
Interest	100	100	1,224	1,124
Total Receipts	<u>2,911,000</u>	<u>3,012,465</u>	<u>3,120,087</u>	<u>107,622</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	2,109,915	2,221,708	2,156,752	64,956
Debt Service	567,000	574,700	566,739	7,961
Administration	572,425	632,974	477,709	155,265
Total Disbursements	<u>3,249,340</u>	<u>3,429,382</u>	<u>3,201,200</u>	<u>228,182</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(338,340)</u>	<u>(416,917)</u>	<u>(81,113)</u>	<u>335,804</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	324,500	324,500	143,000	(181,500)
Transfers To Other Funds			<u>(143,000)</u>	<u>(143,000)</u>
Total Other Adjustments to Cash (Uses)	<u>324,500</u>	<u>324,500</u>		<u>(324,500)</u>
Net Change in Fund Balance	(13,840)	(92,417)	(81,113)	11,304
Fund Balance - Beginning	<u>13,840</u>	<u>92,417</u>	<u>92,417</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 11,304</u>	<u>\$ 11,304</u>

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

**LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Licenses and Permits	\$ 28,200	\$ 28,200	\$ 28,200	\$
Intergovernmental	105,100	115,831	68,560	(47,271)
Charges for Services	94,000	104,602	113,151	8,549
Miscellaneous	24,100	28,543	27,345	(1,198)
Interest	100	1,100	1,248	148
Total Receipts	<u>251,500</u>	<u>278,276</u>	<u>238,504</u>	<u>(39,772)</u>
<b>DISBURSEMENTS</b>				
General Government	168,200	46,099	44,523	1,576
Protection to Persons and Property	38,150	104,126	102,077	2,049
General Health and Sanitation	200,800	214,067	198,845	15,222
Social Services	21,660	26,710	20,258	6,452
Recreation and Culture	52,750	25,483	9,931	15,552
Capital Projects	3,500	3,500	3,500	
Administration	56,310	46,800	41,719	5,081
Total Disbursements	<u>541,370</u>	<u>466,785</u>	<u>420,853</u>	<u>45,932</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(289,870)</u>	<u>(188,509)</u>	<u>(182,349)</u>	<u>6,160</u>
<b>Other Adjustments to Cash (Uses)</b>				
Borrowed Money		23,639	23,639	
Transfers From Other Funds	156,200	156,200	198,000	41,800
Transfers To Other Funds		(125,000)	(125,000)	
Total Other Adjustments to Cash (Uses)	<u>156,200</u>	<u>54,839</u>	<u>96,639</u>	<u>41,800</u>
Net Change in Fund Balance	(133,670)	(133,670)	(85,710)	47,960
Fund Balance - Beginning	<u>133,670</u>	<u>133,670</u>	<u>93,871</u>	<u>(39,799)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 8,161</u>	<u>\$ 8,161</u>

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

	<b>E-911 FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 20,000	\$ 20,000	\$ 18,672	\$ (1,328)
Interest	100	100	691	591
Total Receipts	<u>20,100</u>	<u>20,100</u>	<u>19,363</u>	<u>(737)</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	55,000	59,521	59,521	
Administration	41,750	37,229		37,229
Total Disbursements	<u>96,750</u>	<u>96,750</u>	<u>59,521</u>	<u>37,229</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(76,650)</u>	<u>(76,650)</u>	<u>(40,158)</u>	<u>36,492</u>
Net Change in Fund Balance	(76,650)	(76,650)	(40,158)	36,492
Fund Balance - Beginning	<u>76,650</u>	<u>76,650</u>	<u>81,799</u>	<u>5,149</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 41,641</u>	<u>\$ 41,641</u>

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

	<b>E-911 WIRELESS FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 500	\$ 500	\$	\$ (500)
Interest	100	100	799	699
Total Receipts	<u>600</u>	<u>600</u>	<u>799</u>	<u>199</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	100	100		100
Administration	68,660	68,660		68,660
Total Disbursements	<u>68,760</u>	<u>68,760</u>		<u>68,760</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(68,160)</u>	<u>(68,160)</u>	<u>799</u>	<u>68,959</u>
Net Change in Fund Balance	(68,160)	(68,160)	799	68,959
Fund Balance - Beginning	<u>68,160</u>	<u>68,160</u>	<u>68,114</u>	<u>(46)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 68,913</u>	<u>\$ 68,913</u>



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

<b>ECONOMIC DEVELOPMENT FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Interest	\$	\$	\$ 161	\$ 161
Total Receipts			161	161
<b>DISBURSEMENTS</b>				
General Government		125,000		125,000
Total Disbursements		125,000		125,000
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		(125,000)	161	125,161
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds		125,000	125,000	
Total Other Adjustments to Cash (Uses)		125,000	125,000	
Net Change in Fund Balance			125,161	125,161
Fund Balance - Beginning				
Fund Balance - Ending	\$	0	\$ 125,161	\$ 125,161

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

**June 30, 2020**

**Note 1. Budgetary Information**

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

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

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

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

Road fund roads exceeded budgeted appropriations by \$102,040.

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

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

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

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

The fiscal court reports the following Schedule of Capital Assets:

	(Restated) Beginning Balance	Additions	Deletions	Ending Balance
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Land & Land Improvements*	\$ 200,690	\$	\$	\$ 200,690
Buildings and Building Improvement*	13,803,727	600,000		14,403,727
Vehicles*	1,656,195	109,976	65,000	1,701,171
Machinery and Equipment*	954,884	177,560		1,132,444
Other Equipment*	141,974			141,974
Infrastructure*	34,909,968	1,166,910		36,076,878
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Capital Assets	<u>\$ 51,667,438</u>	<u>\$ 2,054,446</u>	<u>\$ 65,000</u>	<u>\$ 53,656,884</u>

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

**June 30, 2020**

**Note 1. Capital Assets**

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

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

**Note 2. Beginning Balance**

The Crittenden County Fiscal Court's Capital Asset Schedule's beginning balance differs from the prior year audit's Capital Asset Schedule's ending balance. This is due to errors made in prior years by the fiscal court in preparing the current year's schedule. It consisted of removing assets that did not meet capitalization criteria and adjusting assets to their correct historical cost.

The following illustrates the difference between the two schedules:

	<u>Prior Year Schedule's Ending Balance</u>	<u>Difference</u>	<u>Current Year Schedule's Beginning Balance</u>
Land and Land Improvements	\$ 236,690	\$ (36,000)	\$ 200,690
Buildings and Building Improvements	13,702,627	101,100	13,803,727
Vehicles	171,345	1,484,850	1,656,195
Machinery and Equipment	2,635,689	(1,680,805)	954,884
Other Equipment		141,974	141,974
Infrastructure	36,619,198	(1,709,230)	34,909,968
 Total Capital Assets Beginning Balance	 <u>\$ 53,365,549</u>	 <u>\$ (1,698,111)</u>	 <u>\$ 51,667,438</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, 2020, 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 another deficiency that we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2020-001, 2020-002, and 2020-004 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 deficiency described in the accompanying Schedule of Findings and Responses as item 2020-003 to be a significant deficiency.

**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 2020-001, 2020-002, and 2020-004.

**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, 2020**

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**CRITTENDEN COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES**

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

FINANCIAL STATEMENT FINDINGS:

2020-001 The Crittenden County Fiscal Court Failed To Implement Adequate Internal Controls Over Cash Transfers

---

This is a repeat finding and was included in the prior year audit report as finding 2019-001. The Crittenden County Fiscal Court does not have controls over cash transfers. Although all cash transfers were approved by the fiscal court, the actual cash transfers were made prior to fiscal court approval per the fiscal court minutes. None of the \$609,000 that was transferred during fiscal year 2020 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 the 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 the 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: This is a repeat finding from FY 2019 due to a backlog in audit completion. Response is repeated from FY 2019.*

*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.*

2020-002 The Crittenden County Fiscal Court Failed To Implement Adequate Internal Controls Over Disbursements And Was Not In Compliance With Various Statutes

---

This is a repeat finding and was included in the prior year audit report as finding 2019-003. During our review and testing of the disbursements of the Crittenden County Fiscal Court, we noted the following exceptions:

- Two invoices from the jail fund were not paid within 30 working days.
- Five instances that the purchase order was issued after the date of the invoice.
- 32 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 Crittenden County Fiscal Court failed to re-bid for the jail food service provider for fiscal year 2020. The fiscal court initially bid and entered into a renewable contract with the food service provider in 2013. The fiscal court paid \$273,838 for fiscal year 2020 to the jail service provider.

**CRITTENDEN COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES  
For The Year Ended June 30, 2020  
(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2020-002 The Crittenden County Fiscal Court Failed To Implement Adequate Internal Controls Over Disbursements And Was Not In Compliance With Various Statutes (Continued)

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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.

KRS 65.140 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 (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 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."

We recommend the Crittenden County Fiscal Court strengthen internal control procedures over disbursements, by reviewing disbursements to ensure that all invoices are paid timely. 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.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: This is a repeat finding from FY 2019 due to a backlog in audit completion. Response is repeated from FY 2019.*

*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 order 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.*

**CRITTENDEN COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES  
For The Year Ended June 30, 2020  
(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2020-002 The Crittenden County Fiscal Court Failed To Implement Adequate Internal Controls Over Disbursements And Was Not In Compliance With Various Statutes (Continued)

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Views of Responsible Official and Planned Corrective Action: (Continued)

*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 for 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.

2020-003 The Crittenden County Jail Inappropriately Used A Debit Card For Jail Commissary Purchases

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This is a repeat finding and was included on the prior year audit report as finding 2019-002. During the 2020 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 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.

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 paid by check.

We recommend 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: This is a repeat finding from FY 2019 due to a backlog in audit completion. Response is repeated from FY 2019.*

**CRITTENDEN COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES  
For The Year Ended June 30, 2020  
(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2020-003 The Crittenden County Jail Inappropriately Used A Debit Card For Jail Commissary Purchases  
(Continued)

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Views of Responsible Official and Planned Corrective Action: (Continued)

*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.*

2020-004 The Crittenden County Fiscal Court Failed To Implement Adequate Internal Controls Over Debt  
And Debt Service

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This is a repeat finding and was included in the prior year audit report as finding 2019-004. Material 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 \$177,560 in March 2020 for the purchase of road equipment. 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, 2020.
- In April 2020, the Crittenden County Fiscal Court borrowed \$146,422 for the purchase of a Mack truck. The loan proceeds were paid directly to the vendor. Therefore, it was not included in the county's financial statements as a budgeted disbursement for fiscal year ended June 30, 2020.
- The June 30, 2020 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 \$7,111,327.65 as of June 30, 2020. This balance was understated by \$124,139.
- Interest balances were also understated by \$19,797.

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. 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 the line item roads of the road fund by \$102,040.



**CRITTENDEN COUNTY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**For The Year Ended June 30, 2020**  
**(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2020-004 The Crittenden County Fiscal Court Failed To Implement Adequate Internal Controls Over Debt And Debt Service (Continued)

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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: This is a repeat finding from FY 2019 due to a backlog in audit completion. Response is repeated from FY 2019.*

*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, 2020**

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CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE  
COUNTY FISCAL COURT


For The Year Ended June 30, 2020

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.



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County Judge/Executive



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County Treasurer