

**REPORT OF THE AUDIT OF THE  
MCCREARY 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 Jimmie W. Greene II, McCreary County Judge/Executive  
Members of the McCreary 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 McCreary County Fiscal Court, for the year ended June 30, 2020, and the related notes to the financial statement which collectively comprise the McCreary 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 McCreary 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 McCreary 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 McCreary 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 McCreary County Fiscal Court. The Budgetary Comparison Schedules (supplementary information) and the Schedule of Capital Assets (other information) are presented for purposes of additional analysis and are not a required part of the financial statement; however, they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

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

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

To the People of Kentucky  
The Honorable Andy Beshear, Governor  
Holly M. Johnson, Secretary  
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The Honorable Jimmie W. Greene II, McCreary County Judge/Executive  
Members of the McCreary County Fiscal Court

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2021, on our consideration of the McCreary 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 McCreary 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 Transfers Were Made Before Approval By The Fiscal Court
- 2020-002 The Payroll Revolving Account Was Not Properly Reconciled
- 2020-003 The Fiscal Court Did Not Have Proper Purchase And Procurement Procedures
- 2020-004 The Fiscal Court Did Not Have Sufficient Internal Control Procedures Over Credit Card Disbursements
- 2020-005 The Fiscal Court Did Not Segregate Duties Over Accounting Functions
- 2020-006 The Fiscal Court Did Not Have Sufficient Monitoring Or Internal Controls Over The Revolving Loan Program

Respectfully submitted,



Mike Harmon  
Auditor of Public Accounts

January 29, 2021

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

Jimmie W. Greene II	County Judge/Executive
Roger Phillips	Magistrate
Bobby Strunk	Magistrate
Randy Maxwell	Magistrate
Bill Hale	Magistrate

**Other Elected Officials:**

Austin Price	County Attorney
Jessie Hatfield	Jailer
Eric Haynes	County Clerk
Othel King	Circuit Court Clerk
Randy Waters	Sheriff
Dwight Ross	Property Valuation Administrator
Tim Corder	Coroner

**Appointed Personnel:**

Geraldine Laxton	County Treasurer
Nathan H. Nevels II	Deputy Judge-Executive
Randy Jones	Chief Financial Officer



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

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

**MCCREARY 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	\$ 790,570	\$	\$	\$
In Lieu Tax Payments	381,404	339,823		
Excess Fees	16,930			
Licenses and Permits	91,364			
Intergovernmental	645,987	2,187,863	103,816	2,682
Charges for Services	1,626,429			
Miscellaneous	176,305	135,989	56,386	
Interest	883	764	108	34
Total Receipts	<u>3,729,872</u>	<u>2,664,439</u>	<u>160,310</u>	<u>2,716</u>
<b>DISBURSEMENTS</b>				
General Government	1,034,507			
Protection to Persons and Property	1,859,753		1,066,555	
General Health and Sanitation	201,852			
Recreation and Culture	152,002			
Roads		1,231,059		83,120
Airports	43,778			
Road Facilities		134,490		
Debt Service	45,468			
Administration	1,339,360	435,924	40,450	
Total Disbursements	<u>4,676,720</u>	<u>1,801,473</u>	<u>1,107,005</u>	<u>83,120</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(946,848)</u>	<u>862,966</u>	<u>(946,695)</u>	<u>(80,404)</u>
<b>Other Adjustments to Cash (Uses)</b>				
Payroll Revolving Account	19,218			
Transfers From Other Funds	1,419,585	200,000	1,022,159	19,610
Transfers To Other Funds	(710,000)	(294,876)		
Total Other Adjustments to Cash (Uses)	<u>728,803</u>	<u>(94,876)</u>	<u>1,022,159</u>	<u>19,610</u>
Net Change in Fund Balance	(218,045)	768,090	75,464	(60,794)
Fund Balance - Beginning (Restated)	<u>1,174,503</u>	<u>132,911</u>	<u>20,889</u>	<u>85,360</u>
Fund Balance - Ending	<u>\$ 956,458</u>	<u>\$ 901,001</u>	<u>\$ 96,353</u>	<u>\$ 24,566</u>
<b>Composition of Fund Balance</b>				
Bank Balance	\$ 956,691	\$ 903,645	\$ 97,191	\$ 24,566
Payroll Revolving Account	19,218			
Less: Outstanding Checks	(19,451)	(2,644)	(838)	
Fund Balance - Ending	<u>\$ 956,458</u>	<u>\$ 901,001</u>	<u>\$ 96,353</u>	<u>\$ 24,566</u>

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

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

<u>Budgeted Funds</u>				<u>Unbudgeted Fund</u>	
<u>Ambulance Equipment Fund</u>	<u>Occupational Tax Fund</u>	<u>Grant Fund</u>	<u>Revolving Loan Fund</u>	<u>McCreary County Courthouse And Public Square Corporation Fund</u>	<u>Total Funds</u>
\$	\$ 1,736,495	\$	\$	\$	\$ 2,527,065
					721,227
					16,930
					91,364
		102,239		427,105	3,469,692
			29,601		1,626,429
			127		398,281
24	136	42			2,118
<u>24</u>	<u>1,736,631</u>	<u>102,281</u>	<u>29,728</u>	<u>427,105</u>	<u>8,853,106</u>
					1,034,507
14,499		13,516			2,954,323
					201,852
		92,238			244,240
					1,314,179
					43,778
					134,490
37,981				427,105	510,554
			65,038		1,880,772
<u>52,480</u>	<u></u>	<u>105,754</u>	<u>65,038</u>	<u>427,105</u>	<u>8,318,695</u>
(52,456)	1,736,631	(3,473)	(35,310)		534,411
					19,218
60,000					2,721,354
	(1,716,478)				(2,721,354)
<u>60,000</u>	<u>(1,716,478)</u>				<u>19,218</u>
7,544	20,153	(3,473)	(35,310)		553,629
17,745	44,140	29,185	129,147	1,100	1,634,980
<u>\$ 25,289</u>	<u>\$ 64,293</u>	<u>\$ 25,712</u>	<u>\$ 93,837</u>	<u>\$ 1,100</u>	<u>\$ 2,188,609</u>
\$ 25,289	\$ 64,293	\$ 25,712	\$ 93,837	\$ 1,100	\$ 2,192,324
					19,218
					(22,933)
<u>\$ 25,289</u>	<u>\$ 64,293</u>	<u>\$ 25,712</u>	<u>\$ 93,837</u>	<u>\$ 1,100</u>	<u>\$ 2,188,609</u>

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

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**MCCREARY COUNTY  
NOTES TO FINANCIAL STATEMENT**

**June 30, 2020**

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

**A. Reporting Entity**

The financial statement of McCreary County includes all budgeted and unbudgeted funds under the control of the McCreary 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 McCreary County Tourist Commission would have been included in the reporting entity under accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. However, under the regulatory basis, it is no longer a required component of the reporting entity.

**B. Basis of Accounting**

The financial statement is presented on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. This basis of accounting involves the reporting of fund balances and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) to meet the financial reporting requirements of the Department for Local Government and the laws of the Commonwealth of Kentucky.

This regulatory basis of accounting differs from GAAP primarily because the financial statement format does not include the GAAP presentations of government-wide and fund financial statements, cash receipts are recognized when received in cash rather than when earned and susceptible to accrual, and cash disbursements are recognized when paid rather than when incurred or subject to accrual.

Generally, except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

**C. Basis of Presentation**

**Budgeted Funds**

The fiscal court reports the following budgeted funds:

**General Fund** - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

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

**MCCREARY 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)**

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 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.

Ambulance Equipment Fund - The primary purpose of this fund is to account for the purchase of new ambulance equipment. The primary source of receipts for this fund is state grants.

Occupational Tax Fund - The primary purpose of this fund is to account for the collection of occupational taxes. The primary sources of receipts for this fund are occupational employment tax and net profit tax.

Grant Fund - The primary purpose of this fund is to manage state and federal grants received by the county. The primary sources of receipts for this fund are state and federal grants.

Revolving Loan Fund - The primary purpose of this fund is to account for the county's small business revolving loan program. The primary source of receipts for this fund is loan repayments.

**Unbudgeted Funds**

The fiscal court reports the following unbudgeted fund:

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

**D. Budgetary Information**

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

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

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

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

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

**D. Budgetary Information (Continued)**

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

**E. McCreary County Elected Officials**

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

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

**Note 2. Deposits**

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

**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*. On June 30, 2020, the fiscal court's bank balance was exposed to custodial credit risk because the bank did not adequately collateralize the fiscal court's deposits in accordance with the security agreement.

- Uncollateralized and Uninsured \$77,534

**Note 3. Transfers**

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

	General Fund	Road Fund	Occupational Tax Fund	Total Transfers In
General Fund	\$	\$ 275,266	\$ 1,144,319	\$ 1,419,585
Road Fund	200,000			200,000
Jail Fund	450,000		572,159	1,022,159
LGEA Fund		19,610		19,610
Ambulance Equipment Fund	60,000			60,000
<b>Total Transfers Out</b>	<b>\$ 710,000</b>	<b>\$ 294,876</b>	<b>\$ 1,716,478</b>	<b>\$ 2,721,354</b>

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.



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

**Note 4. Notes Receivable**

In 1994, McCreary County, in cooperation with Scott County, Tennessee, formed the Rural Enterprise Community known as the Scott-McCreary Area Revitalization Team (SMART) for the purpose of increasing economic development in these two counties. As part of this effort, SMART-approved low interest rate loans were made available to eligible businesses from Enterprise Community Program funds, which were passed through to the county from the U.S. Department of Health and Human Services. In 1998, the county was also awarded Rural Business Enterprise Grants (RBEG) for SMART-approved low interest rate loans to eligible businesses, which were passed through the U.S. Department of Agriculture. The most recent grant awarded from the USDA was during fiscal year 2013 in the amount of \$75,000.

Once grant funds are repaid from a borrower, the repaid principal and interest will be used to make additional loans as specified in the loan guidelines. The balance of both the SMART and RBEG receivables due as of June 30, 2020, is \$888,264.

**Note 5. Long-term Debt**

**A. Direct Borrowings and Direct Placements**

**1. Financing Obligation - Courthouse Renovations**

On June 26, 2013, the McCreary County Fiscal Court issued \$246,320 for the purpose of paying off McCreary Co., KY (ADA) KADDFT Lease Acquisition Program 2001 Series B 59517. The debt requires semi-annual interest payments due on October 1 and April 1. The debt will mature on October 1, 2021. The principal balance as of June 30, 2020, was \$62,855. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 32,075	\$ 1,152
2022	30,780	378
Totals	<u>\$ 62,855</u>	<u>\$ 1,530</u>

**2. Financing Obligation - Economic Development Loan**

In September 2009, the McCreary County Fiscal Court obtained a Rural Economic Development Finance Agreement for the construction of a multi-generational use building. The total amount financed was \$500,000 over a ten year period. The agreement requires an annual service fee with a zero rate of interest and payments of \$4,167 due the 1st of each month to be completed September 1, 2019. The principal balance as of June 30, 2020, was \$0.

**3. Financing Obligation - Dispatch Center (911) Remodel Loan**

On February 6, 2015, the McCreary County Fiscal Court entered into a financing obligation with KACo Leasing Trust for the purpose of remodeling part of the Emergency Medical Services building to house the 911 dispatch center. The principal was \$50,000 at an effective interest rate of 3.25% for a period of 5 years, with principal due annually and interest paid monthly. The principal balance as of June 30, 2020, was \$0.

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

**Note 5. Long-term Debt (Continued)**

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

**4. Financing Obligation - Ambulance**

On July 13, 2016, the McCreary County Fiscal Court entered into a financing obligation with KACo Leasing Trust for the purpose to purchase an ambulance. In case of default, the ambulance is considered collateral. The principle was \$88,195 at a variable interest rate for a period of 5 years, with principle and interest both paid monthly. The principle balance as of June 30, 2020, was \$20,535. Future principle and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 18,927	\$ 783
2022	1,608	9
Totals	\$ 20,535	\$ 792

**5. Financing Obligation - Ambulance**

On June 15, 2018, the McCreary County Fiscal Court entered into a financing obligation with KACo Leasing Trust for the purchase of an ambulance. In case of default, the ambulance is considered collateral. The principle balance was \$50,000 with an effective interest rate of 3.95% for a period of three years, with principle and interest paid monthly. The principle balance as of June 30, 2020, was \$17,358. Future principle and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 17,358	\$ 374
Totals	\$ 17,358	\$ 374

**B. Other Debt**

**1. First Mortgage Refunding Revenue Bonds (County Facilities Project), Series 2009**

On November 1, 1999, the McCreary County Courthouse and Public Square Corporation, Administrative Office of the Courts (AOC), and the county entered into a lease agreement for the purpose of constructing the Justice Center, which is attached to the courthouse, and obtaining rental space for the AOC at the Justice Center. In November of 1999, the McCreary County Courthouse and Public Square Corporation issued 1999A First Mortgage Revenue Bonds in the amount of \$5,205,000 in order to construct the McCreary County Justice Center.

The McCreary County Courthouse and Public Square Corporation designated the county to act as its agent in order to plan, design, construct, manage, and maintain the Justice Center. The McCreary County Courthouse and Public Square Corporation expects annual rentals from AOC for use of the Justice Center to be in the full amount of the annual principal and interest requirements of the bonds.

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

**Note 5. Long-term Debt (Continued)**

**B. Other Debt (Continued)**

**1. First Mortgage Refunding Revenue Bonds (County Facilities Project), Series 2009 (Continued)**

Under terms of the lease, AOC has agreed to pay directly to the paying agent bank the use allowances payments as provided in the lease. The lease agreement is renewable each year. The McCreary County Courthouse and Public Square Corporation is dependent upon the use of allowance payment in order to meet the debt service for the bonds.

The use allowance payment commences with occupancy of the Justice Center by AOC. AOC, with the execution of the lease has expressed its intention to continue to pay the full use allowance payment in each successive biennial budget period until September 1, 2020, but the lease does not legally obligate AOC to do so.

In July 2009, the McCreary County Fiscal Court retired the 1999A and 2001B series bonds by the issuance of Series 2009 refunding bonds in the amount of \$3,515,000. This refunding resulted in an average interest rate reduction of 1.77 percent and estimated present value savings amount of \$150,915.

The principal balance as of June 30, 2020, was \$75,000. The future debt service requirements for the 2009 First Mortgage Refunding Revenue Bonds are presented as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 50,000	\$ 4,100
2022	25,000	475
Totals	<u>\$ 75,000</u>	<u>\$ 4,575</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	\$ 179,171	\$	\$ 78,423	\$ 100,748	\$ 68,360
Revenue Bonds	490,000		415,000	75,000	50,000
Total Long-term Debt	<u>\$ 669,171</u>	<u>\$ 0</u>	<u>\$ 493,423</u>	<u>\$ 175,748</u>	<u>\$ 118,360</u>

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

**Note 5. Long-term Debt (Continued)**

**D. Aggregate Debt Schedule**

Fiscal Year Ended June 30	Other Debt		Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
2021	\$ 50,000	\$ 4,100	\$ 68,360	\$ 2,309
2022	25,000	475	32,388	387
Totals	\$ 75,000	\$ 4,575	\$ 100,748	\$ 2,696

**Note 6. 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 \$343,545, FY 2019 was \$424,523, and FY 2020 was \$527,548.

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.

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

**Note 6. Employee Retirement System (Continued)**

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

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

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

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

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

B. Health Insurance Coverage - Tier 1 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.

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

**Note 6. Employee Retirement System (Continued)**

Other Post-Employment Benefits (OPEB) (Continued)

C. Cost of Living Adjustments - Tier 1

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

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

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

E. Death Benefit

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

KRS Annual Financial Report and Proportionate Share Audit Report

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

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

**Note 7. Deferred Compensation**

The McCreary 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.

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

**Note 7. Deferred Compensation (Continued)**

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

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

**Note 8. Flexible Spending Account**

The McCreary County Fiscal Court established a flexible spending account in 2010 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 \$2,000 each year to pay for qualified medical expenses. Employees may also contribute additional pre-tax funds through payroll deduction.

**Note 9. Insurance**

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

**Note 10. Payroll Revolving Account**

The reconciled balance of the payroll revolving account of \$19,218, as of June 30, 2020, was added to the general fund cash balance for financial reporting purposes.

**Note 11. Prior Period Adjustments**

	<b>General Fund</b>
Ending Balance, June 30, 2020	\$ 1,190,630
Adjustments:	
Unexplained Payroll Balance	<u>(16,127)</u>
Restated Beginning Balance, July 1, 2020	<u>\$ 1,174,503</u>

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

**Note 12. Related Party Transactions**

In 1994, McCreary County, in cooperation with Scott County, Tennessee, formed the Rural Enterprise Community known as the Scott-McCreary Area Revitalization Team (SMART) for the purpose of increasing economic development in these two counties. As a part of this effort, SMART-approved low interest rate loans were made available to eligible businesses from Enterprise Community Program funds, which were passed through to the county from the U.S. Department of Health and Human Services. In 1998, the county was also awarded Rural Business Enterprise Grants (RBEG) for SMART-approved low interest rate loans to eligible businesses, which were passed through the U.S. Department of Agriculture. The program has awarded 41 loans totaling \$1,731,345 over the program's existence. Five of the loans were to related parties as listed below:

<u>Relationship</u>	<u>Loans To Related Parties</u>	<u>Disposition Of Loan</u>
McCreary County Fiscal Court Deputy Judge/Executive and Wife	\$22,519 loan in July 2003	Eight payments received in FY 2020 Note - interest rate lowered to one percent in FY 2017
Borrower was related to the President of the Loan Board	\$50,000 loan in November 2006	Filed bankruptcy January 20, 2010
Former McCreary County Fiscal Court Deputy Judge/ Executive and Wife	\$15,000 loan in January 2008	Eleven payments received in FY 2020 Note - interest rate lowered to one percent in FY 2017
Mother-In-Law to the former McCreary County Deputy Judge/Executive	\$75,000 loan in September 2011	No payments received in FY 2020 Note - interest rate lowered to one percent in FY 2017



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

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

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**MCCREARY 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	\$ 783,500	\$ 783,500	\$ 790,570	\$ 7,070
In Lieu Tax Payments	352,000	352,000	381,404	29,404
Excess Fees	17,250	17,250	16,930	(320)
Licenses and Permits	67,600	89,100	91,364	2,264
Intergovernmental	368,200	2,263,613	645,987	(1,617,626)
Charges for Services	1,469,000	1,469,000	1,626,429	157,429
Miscellaneous	89,550	89,550	176,305	86,755
Interest	500	500	883	383
Total Receipts	<u>3,147,600</u>	<u>5,064,513</u>	<u>3,729,872</u>	<u>(1,334,641)</u>
<b>DISBURSEMENTS</b>				
General Government	934,702	2,926,532	1,034,507	1,892,025
Protection to Persons and Property	1,567,760	1,986,160	1,859,753	126,407
General Health and Sanitation	183,747	260,227	201,852	58,375
Recreation and Culture	86,068	163,926	152,002	11,924
Airports	48,700	53,700	43,778	9,922
Debt Service	52,000	52,200	45,468	6,732
Administration	1,534,952	1,482,097	1,339,360	142,737
Total Disbursements	<u>4,407,929</u>	<u>6,924,842</u>	<u>4,676,720</u>	<u>2,248,122</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,260,329)</u>	<u>(1,860,329)</u>	<u>(946,848)</u>	<u>913,481</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	1,348,374	1,348,374	1,419,585	71,211
Transfers To Other Funds	<u>(588,045)</u>	<u>(588,045)</u>	<u>(710,000)</u>	<u>(121,955)</u>
Total Other Adjustments to Cash (Uses)	<u>760,329</u>	<u>760,329</u>	<u>709,585</u>	<u>(50,744)</u>
Net Change in Fund Balance	(500,000)	(1,100,000)	(237,263)	862,737
Fund Balance - Beginning (Restated)	<u>500,000</u>	<u>1,100,000</u>	<u>1,174,503</u>	<u>74,503</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 937,240</u>	<u>\$ 937,240</u>

**MCCREARY 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>				
In Lieu Tax Payments	\$ 320,000	\$ 320,000	\$ 339,823	\$ 19,823
Intergovernmental	1,786,206	2,302,780	2,187,863	(114,917)
Miscellaneous	472,675	472,675	135,989	(336,686)
Interest	400	400	764	364
Total Receipts	<u>2,579,281</u>	<u>3,095,855</u>	<u>2,664,439</u>	<u>(431,416)</u>
<b>DISBURSEMENTS</b>				
Roads	1,696,299	2,223,253	1,231,059	992,194
Road Facilities	203,100	196,670	134,490	62,180
Debt Service	15,000	15,000		15,000
Administration	476,369	472,419	435,924	36,495
Total Disbursements	<u>2,390,768</u>	<u>2,907,342</u>	<u>1,801,473</u>	<u>1,105,869</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>188,513</u>	<u>188,513</u>	<u>862,966</u>	<u>674,453</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds			200,000	200,000
Transfers To Other Funds	(223,513)	(223,513)	(294,876)	(71,363)
Total Other Adjustments to Cash (Uses)	<u>(223,513)</u>	<u>(223,513)</u>	<u>(94,876)</u>	<u>128,637</u>
Net Change in Fund Balance	(35,000)	(35,000)	768,090	803,090
Fund Balance - Beginning	<u>35,000</u>	<u>35,000</u>	<u>132,911</u>	<u>97,911</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 901,001</u>	<u>\$ 901,001</u>

**MCCREARY 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	\$ 145,750	\$ 145,750	\$ 103,816	\$ (41,934)
Miscellaneous	28,500	28,500	56,386	27,886
Interest	25	25	108	83
Total Receipts	<u>174,275</u>	<u>174,275</u>	<u>160,310</u>	<u>(13,965)</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property Administration	1,198,825	1,196,825	1,066,555	130,270
	66,550	68,550	40,450	28,100
Total Disbursements	<u>1,265,375</u>	<u>1,265,375</u>	<u>1,107,005</u>	<u>158,370</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,091,100)</u>	<u>(1,091,100)</u>	<u>(946,695)</u>	<u>144,405</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	1,090,600	1,090,600	1,022,159	(68,441)
Total Other Adjustments to Cash (Uses)	<u>1,090,600</u>	<u>1,090,600</u>	<u>1,022,159</u>	<u>(68,441)</u>
Net Change in Fund Balance	(500)	(500)	75,464	75,964
Fund Balance - Beginning	500	500	20,889	20,389
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 96,353</u>	<u>\$ 96,353</u>

**MCCREARY 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>				
Intergovernmental	\$ 38,250	\$ 38,250	\$ 2,682	\$ (35,568)
Interest	75	75	34	(41)
Total Receipts	<u>38,325</u>	<u>38,325</u>	<u>2,716</u>	<u>(35,609)</u>
<b>DISBURSEMENTS</b>				
Roads	89,325	89,325	83,120	6,205
Administration	20,000	20,000		20,000
Total Disbursements	<u>109,325</u>	<u>109,325</u>	<u>83,120</u>	<u>26,205</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(71,000)</u>	<u>(71,000)</u>	<u>(80,404)</u>	<u>(9,404)</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds			19,610	19,610
Total Other Adjustments to Cash (Uses)			<u>19,610</u>	<u>19,610</u>
Net Change in Fund Balance	(71,000)	(71,000)	(60,794)	10,206
Fund Balance - Beginning	<u>71,000</u>	<u>71,000</u>	<u>85,360</u>	<u>14,360</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 24,566</u>	<u>\$ 24,566</u>

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

**AMBULANCE EQUIPMENT FUND**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Interest	\$ 10	\$ 10	\$ 24	\$ 14
Total Receipts	10	10	24	14
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	38,560	38,560	14,499	24,061
Debt Service	39,200	39,200	37,981	1,219
Total Disbursements	77,760	77,760	52,480	25,280
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(77,750)	(77,750)	(52,456)	25,294
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	60,000	60,000	60,000	
Total Other Adjustments to Cash (Uses)	60,000	60,000	60,000	
Net Change in Fund Balance	(17,750)	(17,750)	7,544	25,294
Fund Balance - Beginning	17,750	17,750	17,745	(5)
Fund Balance - Ending	\$ 0	\$ 0	\$ 25,289	\$ 25,289

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

	<b>OCCUPATIONAL TAX FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 1,687,291	\$ 1,687,291	\$ 1,736,495	\$ 49,204
Interest	125	125	136	11
Total Receipts	<u>1,687,416</u>	<u>1,687,416</u>	<u>1,736,631</u>	<u>49,215</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>1,687,416</u>	<u>1,687,416</u>	<u>1,736,631</u>	<u>49,215</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds	<u>(1,687,416)</u>	<u>(1,687,416)</u>	<u>(1,716,478)</u>	<u>(29,062)</u>
Total Other Adjustments to Cash (Uses)	<u>(1,687,416)</u>	<u>(1,687,416)</u>	<u>(1,716,478)</u>	<u>(29,062)</u>
Net Change in Fund Balance			20,153	20,153
Fund Balance - Beginning			<u>44,140</u>	<u>44,140</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 64,293</u>	<u>\$ 64,293</u>



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

	<b>GRANT FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 60,000	\$ 160,000	\$ 102,239	\$ (57,761)
Interest			42	42
Total Receipts	<u>60,000</u>	<u>160,000</u>	<u>102,281</u>	<u>(57,719)</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	60,000	60,000	13,516	46,484
Recreation and Culture		100,000	92,238	7,762
Total Disbursements	<u>60,000</u>	<u>160,000</u>	<u>105,754</u>	<u>54,246</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			<u>(3,473)</u>	<u>(3,473)</u>
Net Change in Fund Balance			(3,473)	(3,473)
Fund Balance - Beginning			<u>29,185</u>	<u>29,185</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 25,712</u>	<u>\$ 25,712</u>

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

	<b>REVOLVING LOAN FUND</b>			
	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>RECEIPTS</b>				
Miscellaneous	\$ 40,000	\$ 40,000	\$ 29,601	\$ (10,399)
Interest	175	175	127	(48)
Total Receipts	<u>40,175</u>	<u>40,175</u>	<u>29,728</u>	<u>(10,447)</u>
<b>DISBURSEMENTS</b>				
Administration	212,675	212,675	65,038	147,637
Total Disbursements	<u>212,675</u>	<u>212,675</u>	<u>65,038</u>	<u>147,637</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(172,500)</u>	<u>(172,500)</u>	<u>(35,310)</u>	<u>137,190</u>
Net Change in Fund Balance	(172,500)	(172,500)	(35,310)	137,190
Fund Balance - Beginning	<u>172,500</u>	<u>172,500</u>	<u>129,147</u>	<u>(43,353)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 93,837</u>	<u>\$ 93,837</u>

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

**June 30, 2020**

**Note 1. Budgetary Information**

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

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

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

**Note 2. Reconciliation of the General Fund**

The *Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis* differs from the *Budgetary Comparison Schedule* for the general fund in other financing sources and (uses) and ending balance by \$19,218 due to the inclusion of the payroll revolving account's reconciled balance.

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

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

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

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

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 2,096,783	\$	\$	\$ 2,096,783
Buildings	9,159,877			9,159,877
Vehicles and Equipment	1,162,348			1,162,348
Other Equipment	1,722,655			1,722,655
Infrastructure	9,054,473			9,054,473
Total Capital Assets	<u>\$ 23,196,136</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 23,196,136</u>

**MCCREARY 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	\$ 5,000	10-60
Buildings	\$ 5,000	10-75
Vehicles and Equipment	\$ 5,000	3-25
Other Equipment	\$ 5,000	3-25
Infrastructure	\$ 5,000	10-50



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

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

The Honorable Jimmie W. Greene II, McCreary County Judge/Executive  
Members of the McCreary 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 McCreary County Fiscal Court for the fiscal year ended June 30, 2020, and the related notes to the financial statement which collectively comprise the McCreary County Fiscal Court's financial statement and have issued our report thereon dated January 29, 2021.

**Internal Control Over Financial Reporting**

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2020-003, 2020-005, and 2020-006 to be material weaknesses.



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

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

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2020-001, 2020-002, and 2020-004 to be significant deficiencies.

**Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the McCreary 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 2020-003 and 2020-006.

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

McCreary 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

January 29, 2021

**MCCREARY COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES**

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

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**MCCREARY COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES**

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

FINANCIAL STATEMENT FINDINGS:

2020-001 Transfers Were Made Before Approval By The Fiscal Court

---

This is a repeat finding and was included in the prior year audit report as finding 2019-001. The county treasurer made 47 interfund transfers during fiscal year 2020. Of the 47 transfers, three transfers received approval after the transfer was issued and made.

The county treasurer transferred funds before approval due to timing issues in an attempt to avoid late payment fees and penalties that would have incurred if she had waited until the next upcoming fiscal court meeting. By transferring funds before approval is received, the county treasurer circumvented the fiscal court's authority to decide how county funds are to be used.

KRS 68.290 states, "[t]he fiscal court may transfer money from one (1) budget fund to another to provide for emergencies or increases or decreases in county employment pursuant to KRS 64.530(4). The order of the fiscal court making the transfer shall show the nature of the emergency or personnel increase or decrease and the reason for making the transfer. The fiscal court shall not have any power to transfer money from any sinking fund or special fund raised for a specific purpose until the obligation or purpose for which the fund was raised has been satisfied."

According to page 73 of the Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual*, "[a]ll transfers require a court order." Additionally, the McCreary County Fiscal Court's Administrative Code Section 4.4(H) states in part, "[t]he original appropriation and all amendments and transfers authorized by order of the Fiscal Court shall be entered."

We recommend that all transfers be approved by the fiscal court before the transfer is made. The approval should be clearly reflected within the fiscal court minutes.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: Treasurer has taken the necessary measures to correct this issue by doing Anticipated Fund transfers.*

2020-002 The Payroll Revolving Account Was Not Properly Reconciled

---

This is a repeat finding and was included in the prior year audit report as finding 2019-002. The payroll revolving account did not reconcile to zero as of June 30, 2020, and the remaining balance could not be readily explained. According to the information available to auditors, the account balance as of June 30, 2020, was \$81,695. Of this balance, the county had outstanding checks of \$37 and outstanding liabilities of \$62,440, leaving an unexplained balance of \$19,218 for fiscal year 2020.

In addition, the employee benefits account, which primarily receives funds from the payroll account, did not reconcile to zero. According to the information available to auditors, as of June 30, 2020, the account had an unexplained balance of \$632 for fiscal year 2020. Auditors noted the finance officer verified that funds were deposited and checks or electronic withdrawals had cleared, but no evidence of a monthly bank reconciliation was found for these accounts. In addition, the account was overdrawn 17 times during the fiscal year which indicates a lack of oversight.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2020-002 The Payroll Revolving Account Was Not Properly Reconciled (Continued)

---

According to the finance officer, a new payroll account was opened in July 2018 and he thought this corrected the prior year issue since he transfers payroll funds according to the summary produced by the computer software.

The unreconciled payroll account could cause the fiscal court to have insufficient funds to meet payroll requirements, cause the fiscal court's liabilities to not be properly paid, or cause liabilities to not be paid timely.

Per KRS 68.210, the state local finance officer has the authority to require a uniform system of accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual* includes monthly bank reconciliations as a minimum requirement for all county officials. Since the payroll and employee benefits accounts are revolving accounts, only the funds necessary to pay employees and government agencies should be transferred from other county funds. Therefore, each month the account should reconcile to a zero balance.

Good internal controls dictate that revolving accounts be reconciled to a zero balance. In addition, monthly bank reconciliations should be prepared and reviewed by someone independent of the reconciliation process.

We recommend the fiscal court properly reconcile the payroll revolving account and the employee benefits account to a zero balance monthly. Additionally, we recommend the bank reconciliations be reviewed by an employee independent of the reconciliation process. These reviews should be dated and initialed by both the preparer and the reviewer to document evidence of oversight, accuracy, and completeness.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: Action has been taken to correct this.*

2020-003 The Fiscal Court Did Not Have Proper Purchase And Procurement Procedures

---

This is a repeat finding and was included in the prior year audit report as finding 2019-003. The fiscal court did not have proper purchase and procurement procedures as noted by the following deficiencies:

Of the 58 invoices tested:

- The county did not bid out two disbursements over \$30,000.
- The county did not maintain bid files for four disbursements over \$30,000.
- Thirty-two invoices tested did not have purchase orders.
- Nine invoices tested had purchase orders dated after receipt.
- Five invoices tested were paid past 30 working days of receipt.
- One invoice tested did not have any supporting receipts.
- Two invoices tested had sales tax paid.

The deficiencies are a direct result of the lack of adequate segregation of duties, improper accounting practices, and poor internal controls without sufficient management oversight. These deficiencies could have resulted in significant overpayments, misappropriations, inaccurate financial reporting, or penalties being assessed.



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

FINANCIAL STATEMENT FINDINGS: (Continued)

2020-003 The Fiscal Court Did Not Have Proper Purchase And Procurement Procedures (Continued)

---

The state local finance officer, given the authority by KRS 68.210, requires in the *County Budget Preparation and State Local Finance Officer Policy Manual* all disbursements to be accompanied by a purchase order assigned in advance of the purchase to a fund with each disbursement to be sufficiently documented. In addition, good internal controls dictate that proper supporting documentation be maintained to validate disbursements.

The McCreary County Administrative Code Section 9.2(C) states, “[a]ny expenditure or contract for materials, supplies (except perishable meat, fish, and vegetables), equipment, or for contractual services other than professional, involving an expenditure of more than Thirty Thousand Dollars (\$30,000) shall be subject to competitive bidding.”

We recommend the fiscal court take the steps necessary to ensure they are in compliance with the state local finance officer and the McCreary County Administrative Code. We recommend all items over the \$30,000 county bid threshold be properly bid out and that all supporting documentation, such as approved bid specifications and purchase orders, be maintained with the original invoices. We recommend all disbursements be assigned a purchase order before the purchase is made. We recommend all disbursements are paid within 30 working days of receipt, no sales tax is paid, and all disbursements have supporting receipts.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive’s Response: We have briefed all employees and staff on the need for and importance of Purchase Orders. I believe we have a good handle on the issue now. We sometimes must go back to vendors and remind them that we are tax exempt. We did make a mistake on the disbursements for the purchase of the two tractors. We did receive estimates from the only dealers in the area and went with the lowest, but we did not bid it out per the KRS as we should have. We have instituted guidelines so that this does not happen again.*

2020-004 The Fiscal Court Did Not Have Sufficient Internal Control Procedures Over Credit Card Disbursements

---

This is a repeat finding included in the prior year audit report as finding 2019-004. The fiscal court has not implemented proper internal control procedures over credit card disbursements. Credit card disbursements had the following deficiencies:

- Four credit card receipts were without an itemized detail of charges.
- Twenty-four of the 37 credit card charges tested were not supported with a purchase order.
- Two credit card charges included a purchase order dated after disbursement.
- Two credit card statements were paid in excess of 30 days, incurring a total of \$78 in late fees and \$36 in finance charges.
- Seven purchases were made included sales tax paid.
- One credit card charge was paid without sufficient supporting documentation.

The deficiencies noted above stem from a lack of adequate segregation of duties, improper accounting practices, and poor internal controls without oversight. The county treasurer and county judge/executive are relying upon the finance officer to ensure all invoices are valid without proper review of the supporting documentation before authorizing the disbursement. The lack of proper segregation of duties, improper accounting practices, and lack of oversight could result in misappropriation of assets, inaccurate financial reporting, or payment for personal purchases with public funds.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2020-004 The Fiscal Court Did Not Have Sufficient Internal Control Procedures Over Credit Card Disbursements (Continued)

---

The state local finance officer, given the authority by KRS 68.210, requires in the *County Budget Preparation and State Local Finance Officer Policy Manual* that all disbursements be accompanied by a purchase order, within budgeted amounts, sufficiently documented, and paid within 30 working days. KRS 65.140(2) states in part, “[u]nless the purchaser and vendor otherwise contract, all bills for goods or services shall be paid within thirty (30) working days of receipt of a vendor's invoice[.]”. Additionally, good internal controls dictate that proper supporting documentation is maintained to support disbursements and the county does not pay sales tax since they are a tax exempt entity.

We recommend the fiscal court take the steps necessary to ensure compliance with applicable statutes and proper accounting practices, by implementing additional internal controls in the area of credit card disbursements. This could be accomplished by assigning an individual other than the finance officer to review all transactions to ensure that they have proper documentation (such as a purchase order, itemized receipts, etc.) and to ensure sales tax is not part of the claim before being submitted for approval to the fiscal court. We further recommend that the authorized check signers ensure credit card disbursements are properly supported before authorizing the checks.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: This is something we constantly try to stress to those using the card. Due to one monthly Fiscal Court Meeting to pay the bills and the billing procedures of the credit card company sometimes they do not post our payment in a timely fashion. We now are set up online to pay and this has eliminated late fees.*

2020-005 The Fiscal Court Did Not Segregate Duties Over Accounting Functions

---

This is a repeat finding and was included in the prior year audit report as finding 2019-005. A lack of segregation of duties exists over accounting functions. The county treasurer prepares and deposits receipts, posts to the ledgers, prepares financial reports, and prepares the monthly bank reconciliations. Items returned from the bank are handled by the county treasurer. The finance officer picks up mail from the post office then distributes to the proper department. The finance officer prepares a list of bills for the fiscal court's approval, prepares all checks, and makes adjustments to the appropriations ledger. The finance officer submits the financial statement electronically to the Department for Local Government. The finance officer maintains timesheets, prepares payroll, posts payroll to the ledgers, and transfers funds from the appropriate accounts to the revolving payroll account. In addition, the finance officer is responsible for employee benefits payments (health insurance, life insurance and payments to the employee benefit bank account).

According to the county judge/executive, a limited budget places restrictions on the number of employees the fiscal court can hire. The lack of oversight could have resulted in undetected misappropriation of assets and inaccurate financial reporting to external agencies such as the Department for Local Government.

A segregation of duties over various accounting functions, collecting receipts, preparing bank deposits, and preparing reports and reconciliations, or the implementation of compensating controls, when needed because the number of staff is limited, is essential for providing protection from asset misappropriation and inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2020-005 The Fiscal Court Did Not Segregate Duties Over Accounting Functions (Continued)

---

We recommend the fiscal court segregate the duties involving collecting and depositing receipts and preparation of reports and reconciliations. If this is not feasible due to limited staff, strong oversight over these areas could occur and involve an employee that is not currently performing any of those functions. For example, the county judge/executive could provide this oversight and document his oversight by initialing the source documents.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: Due to budgetary restraints, we cannot hire more staff.*

2020-006 The Fiscal Court Did Not Have Sufficient Monitoring Or Internal Controls Over The Revolving Loan Program

---

This is a repeat finding and was included in the prior year audit report as finding 2019-006. Since 1994, the McCreary County Fiscal Court has utilized United States Department of Agriculture (USDA) grants to run a Rural Business Enterprise Grant (RBEG) program. The program is designed to encourage new employment opportunities within the county by providing low cost financing to new businesses. The fiscal court has made 41 loans, totaling \$1,731,345 from fiscal year 1994 through fiscal year 2020. The following issues were noted for fiscal year 2020 as a result of reviewing the program:

- Thirty-five payments were listed in revolving loan records of eight businesses that could not be accounted for during the fiscal year. This resulted in the records of those businesses reflecting outstanding balances totaling \$7,348 lower than actually owed.
- Seven payments were recorded in the receipts ledger during the fiscal year, but not reflected within the loan records of two businesses. This resulted in the records of those businesses reflecting outstanding balances totaling \$553 higher than actually owed.

Due to weak controls and inadequate monitoring over the revolving loan program, amounts owed by businesses within the county were not accurately reported. Adequate monitoring and properly designed and implemented internal controls could allow early detection of possible non-paying borrowers. In addition, good internal controls dictate accurate records are maintained to support the activity of the program.

The USDA Application For Federal Assistance SF-424 states “[r]ecords will include an accurate accounting of any principal repayments, interest, or other proceeds generated by the loan fund and will document expenses paid for with interest, or other proceeds generated by the loan and will be documented for the grant audits.”

We recommend the fiscal court properly monitor the activities of the revolving loan program. Additionally, we recommend the fiscal court comply with the requirements of the USDA Application For Federal Assistance SF-424 and ensure that all loans are properly made, documented, collected, and reported. This matter will be referred to the United States Department of Agriculture.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: There will be better coordination between staff to ensure that this oversight is corrected.*

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

**MCCREARY COUNTY FISCAL COURT**

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

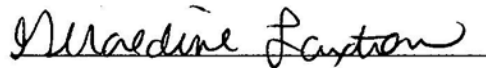
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CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE  
MCCREARY COUNTY FISCAL COURT

For The Year Ended June 30, 2020

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

  
County Judge/Executive

  
County Treasurer