

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

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



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CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT	1
ANDERSON COUNTY OFFICIALS	4
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - REGULATORY BASIS.....	6
NOTES TO FINANCIAL STATEMENT	10
BUDGETARY COMPARISON SCHEDULES.....	25
NOTES TO REGULATORY SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULES	35
SCHEDULE OF CAPITAL ASSETS.....	39
NOTES TO OTHER INFORMATION - REGULATORY BASIS SCHEDULE OF CAPITAL ASSETS.....	40
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 <i>GOVERNMENT AUDITING STANDARDS</i>	43
SCHEDULE OF FINDINGS AND RESPONSES	47
APPENDIX A: CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	

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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 Orbrey Gritton, Anderson County Judge/Executive
Members of the Anderson 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 Anderson County Fiscal Court, for the year ended June 30, 2019, and the related notes to the financial statement which collectively comprise the Anderson 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 Anderson 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 Anderson County Fiscal Court as of June 30, 2019, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

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

Emphasis of Matter

As described in Note 10 to the financial statement, the Anderson County Fiscal Court had a negative balance in the jail fund of \$62,647 and in the park fund of \$2,367. Our opinion is not modified with respect to this matter.

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

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Other Matters (Continued)

Supplementary and Other Information (Continued)

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2020, on our consideration of the Anderson 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 Anderson County Fiscal Court's internal control over financial reporting and compliance.

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

- 2019-001 The Anderson County Fiscal Court Did Not Properly Monitor The Budget
- 2019-002 The Anderson County Fiscal Court Does Not Have Adequate Segregation Of Duties Over Payroll And Payroll Processes
- 2019-003 The Anderson County Fiscal Court Does Not Have Segregation Of Duties Over Disbursements

Respectfully submitted,



Mike Harmon
 Auditor of Public Accounts

March 11, 2020

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

Orbrey Gritton	County Judge/Executive
Rodney Durr	Magistrate
Mike Riley	Magistrate
Juretta Wells	Magistrate
Meredith Lewis	Magistrate
David Montgomery	Magistrate
Steve Drury	Magistrate

Other Elected Officials:

Bobbi Jo Lewis	County Attorney
Tasha Hellard	Jailer
Jason Denny	County Clerk
Pamela Robinson	Circuit Court Clerk
Joe Milam	Sheriff
Brian Stivers	Property Valuation Administrator
Mark Tussey	Coroner

Appointed Personnel:

W. Dudley Shryock	County Treasurer
Taré Tyler	Finance Officer
Charlie Cammack	Deputy Judge/Executive

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

For The Year Ended June 30, 2019

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

For The Year Ended June 30, 2019

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	\$ 2,147,685	\$	\$
Excess Fees	120,696		
Licenses and Permits	93,999		
Intergovernmental	254,814	1,913,792	95,241
Charges for Services	222,951		
Miscellaneous	659,452	2,388	
Interest	1,059		
Total Receipts	<u>3,500,656</u>	<u>1,916,180</u>	<u>95,241</u>
DISBURSEMENTS			
General Government	993,088		
Protection to Persons and Property	13,049		927,078
General Health and Sanitation	292,200		
Social Services	33,500		
Recreation and Culture			
Roads		1,975,988	
Debt Service	25,431		
Capital Projects		34,570	
Administration	2,128,752		
Total Disbursements	<u>3,486,020</u>	<u>2,010,558</u>	<u>927,078</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>14,636</u>	<u>(94,378)</u>	<u>(831,837)</u>
Other Adjustments to Cash (Uses)			
Transfers From Other Funds			769,190
Transfers To Other Funds	(300,000)		
Total Other Adjustments to Cash (Uses)	<u>(300,000)</u>		<u>769,190</u>
Net Change in Fund Balance	(285,364)	(94,378)	(62,647)
Fund Balance - Beginning	899,072	1,677,630	
Fund Balance - Ending	<u>\$ 613,708</u>	<u>\$ 1,583,252</u>	<u>\$ (62,647)</u>
Composition of Fund Balance			
Bank Balance	\$ (819,350)	\$ 1,583,252	\$ (62,647)
Plus: Deposits In Transit	1,521,609		
Less: Outstanding Checks	(88,551)		
Certificates of Deposit			
Fund Balance - Ending	<u>\$ 613,708</u>	<u>\$ 1,583,252</u>	<u>\$ (62,647)</u>

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

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

Budgeted Funds						
Local Government Economic Assistance Fund	AEMS Fund	Park Fund	Capital Outlay Fund	Courthouse Repair Fund	Emergency 911 Cellular Fund	Emergency 911 Landline Fund
\$	\$	\$	\$ 1,351,465	\$	\$	\$ 84,873
			43,737			
87,381	9,999			46,027	189,263	
	1,413,165	75,814				
	46,914	17,383				
			796			
<u>87,381</u>	<u>1,470,078</u>	<u>93,197</u>	<u>1,395,998</u>	<u>46,027</u>	<u>189,263</u>	<u>84,873</u>
			155	171,008		
	1,861,732				163,099	40,785
				2,576		
		300,003				
142,946		74,478				
<u>142,946</u>	<u>1,861,732</u>	<u>374,481</u>	<u>155</u>	<u>173,584</u>	<u>163,099</u>	<u>40,785</u>
(55,565)	(391,654)	(281,284)	1,395,843	(127,557)	26,164	44,088
	511,367	263,994		157,047		
			(1,401,598)			
	<u>511,367</u>	<u>263,994</u>	<u>(1,401,598)</u>	<u>157,047</u>		
(55,565)	119,713	(17,290)	(5,755)	29,490	26,164	44,088
116,553	(11,262)	14,923	76,862		420,007	114,218
<u>\$ 60,988</u>	<u>\$ 108,451</u>	<u>\$ (2,367)</u>	<u>\$ 71,107</u>	<u>\$ 29,490</u>	<u>\$ 446,171</u>	<u>\$ 158,306</u>
\$ 60,988	\$ 108,451	\$ (2,367)	\$ 1,429,338	\$ 29,490	\$ 609,548	\$ 158,306
			(1,358,231)		(163,377)	
<u>\$ 60,988</u>	<u>\$ 108,451</u>	<u>\$ (2,367)</u>	<u>\$ 71,107</u>	<u>\$ 29,490</u>	<u>\$ 446,171</u>	<u>\$ 158,306</u>

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

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

	<u>Unbudgeted Funds</u>		<u>Total Funds</u>
	<u>Park Land Acquisition Company Incorporated Fund</u>	<u>Administrative Office of the Courts Escrow Fund</u>	
RECEIPTS			
Taxes	\$	\$	\$ 3,584,023
Excess Fees			120,696
Licenses and Permits			137,736
Intergovernmental			2,596,517
Charges for Services			1,711,930
Miscellaneous	1,000		727,137
Interest	68		1,923
Total Receipts	<u>1,068</u>		<u>8,879,962</u>
DISBURSEMENTS			
General Government		13	1,164,264
Protection to Persons and Property			3,005,743
General Health and Sanitation			294,776
Social Services			33,500
Recreation and Culture	5		300,008
Roads			1,975,988
Debt Service			242,855
Capital Projects			34,570
Administration			2,128,752
Total Disbursements	<u>5</u>	<u>13</u>	<u>9,180,456</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>1,063</u>	<u>(13)</u>	<u>(300,494)</u>
Other Adjustments to Cash (Uses)			
Transfers From Other Funds			1,701,598
Transfers To Other Funds			(1,701,598)
Total Other Adjustments to Cash (Uses)			<u></u>
Net Change in Fund Balance	1,063	(13)	(300,494)
Fund Balance - Beginning	48,280	13	3,356,296
Fund Balance - Ending	<u>\$ 49,343</u>	<u>\$ 0</u>	<u>\$ 3,055,802</u>
Composition of Fund Balance			
Bank Balance	\$ 9,388	\$	\$ 3,104,397
Plus: Deposits In Transit	994		1,522,603
Less: Outstanding Checks			(1,610,159)
Certificates of Deposit	38,961		38,961
Fund Balance - Ending	<u>\$ 49,343</u>	<u>\$ 0</u>	<u>\$ 3,055,802</u>

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

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENT**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	10
NOTE 2.	DEPOSITS	13
NOTE 3.	TRANSFERS.....	13
NOTE 4.	LONG-TERM DEBT.....	14
NOTE 5.	EMPLOYEE RETIREMENT SYSTEM	18
NOTE 6.	DEFERRED COMPENSATION.....	21
NOTE 7.	HEALTH REIMBURSEMENT ACCOUNT/FLEXIBLE SPENDING ACCOUNT	22
NOTE 8.	INSURANCE.....	22
NOTE 9.	RELATED PARTY TRANSACTIONS.....	22
NOTE 10.	NEGATIVE FUND BALANCES	22

**ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2019

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statement of Anderson County includes all budgeted and unbudgeted funds under the control of the Anderson County Fiscal Court. Budgeted funds included within the reporting entity are those funds presented in the county's approved annual budget and reported on the quarterly reports submitted to the Department for Local Government. Unbudgeted funds may include non-fiduciary financial activities, private purpose trust funds, and internal service funds that are within the county's control. Unbudgeted funds may also include any corporation to act as the fiscal court in the acquisition and financing of any public project which may be undertaken by the fiscal court pursuant to the provisions of Kentucky law and thus accomplish a public purpose of the fiscal court. The unbudgeted funds are not presented in the annual approved budget or in the quarterly reports submitted to the Department for Local Government.

B. Basis of Accounting

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

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

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

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

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.

Anderson Emergency Medical Services Fund (AEMS) - The primary purpose of this fund is to account for the emergency medical response system of the county. The primary source of receipts for this fund is AEMS collections.

Park Fund - The primary purpose of this fund is to account for park receipts and disbursements. The primary sources of receipts for this fund are transfers from the Capital Outlay fund and charges to the public for participation in county/city sports leagues.

Capital Outlay Fund - The primary purpose of this fund is to help maintain other funds. The primary sources of receipts for this fund is insurance premium tax. The majority of this fund's money is transferred to other funds to operate their budgets.

Courthouse Repair Fund - The primary purpose of this fund is to maintain the courthouse. The primary source of receipts for this fund is transfers from the Capital Outlay fund and court fines and filing fees.

Emergency 911 Cellular Fund - The primary purpose of this fund is to account for wireless 911 cellular receipts and disbursements. The sole source of revenues for this fund is E-911 cellular receipts.

Emergency 911 Landline Fund - The primary purpose of this fund is to account for Emergency 911 receipts and disbursements. The sole source of revenues for this fund is telephone tax.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

Park Land Acquisition Company Incorporated Fund - The Park Land Acquisition Company Incorporated Fund was established for the purpose of acquiring and developing land for an Anderson County park.

Administrative Office of the Courts Escrow Fund - The purpose of this fund is to account for debt service for a courthouse annex. The sole source of receipts is the Administrative Office of the Courts.

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.

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

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information (Continued)

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 park land acquisition company incorporated fund and the Administrative Office of the Courts escrow fund to be budgeted.

E. Anderson County Elected Officials

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

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

Note 2. Deposits

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

Custodial Credit Risk - Deposits

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

Note 3. Transfers

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

	General Fund	Capital Outlay Fund	Total Transfers In
Jail Fund	\$	\$ 769,190	\$ 769,190
AEMS Fund	300,000	211,367	511,367
Park Fund		263,994	263,994
Courthouse Repair Fund		157,047	157,047
	<u>\$ 300,000</u>	<u>\$ 1,401,598</u>	<u>\$ 1,701,598</u>
Total Transfers Out			

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.

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

Note 4. Long-Term Debt

A. Direct Borrowings

1. Anderson County Park Project

Anderson County entered into a \$950,000 lease agreement on June 18, 2001, with the Kentucky Association of Counties Leasing Trust for completion of the Anderson County Park Project. The agreement requires monthly interest payments and an annual principal payment due each January 20th. The effective interest rate is 4.70 percent, and the agreement is to be paid in full by January 20, 2021. In the event of default, the lessor may terminate the lease and give notice to surrender the equipment within 60 days, recover the lease payments which would have otherwise been payable during the lease period, or sell/sublease the equipment for the account of the lessee yet holding the lessee liable for all lease payments that would be due under the lease for which any proceeds of the sale/lease of the property does not provide. The following schedule indicates principal and interest payments according to the original lease agreement. The outstanding principal balance was \$135,000 as of June 30, 2019. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2020	\$ 65,000	\$ 5,072
2021	70,000	1,919
Totals	<u>\$ 135,000</u>	<u>\$ 6,991</u>

2. Sheriff's Building

Anderson County entered into a \$310,000 lease agreement on June 16, 2011, with the Kentucky Association of Counties Leasing Trust to purchase the former health department building to use as the Sheriff's Office. The agreement requires monthly interest payments and a lump sum final payment. The effective interest rate was variable and the agreement was to be paid in full by June 20, 2012. Anderson County refinanced this lease agreement with a second agreement for \$325,000 on October 19, 2011, also with Kentucky Association of Counties Leasing Trust. This agreement requires monthly principal and interest payments. The effective interest rate is 4.57 percent and the agreement is to be paid in full by January 1, 2026. In the event of default, the lessor may terminate the lease and give notice to surrender the equipment within 60 days, recover the lease payments which would have otherwise been payable during the lease period, or sell/sublease the property for the account of the lessee yet holding the lessee liable for all lease payments that would be due under the lease for which any proceeds of the sale/lease of the property does not provide. The following schedule indicates principal and interest payments according to the original lease agreement. The outstanding principal balance was \$167,500 as of June 30, 2019. Future principal and interest requirements are:

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

Note 4. Long-Term Debt (Continued)

A. Direct Borrowings (Continued)

2. Sheriff's Building (Continued)

Fiscal Year Ending June 30	Principal	Scheduled Interest
2020	\$ 25,000	\$ 6,231
2021	25,000	5,455
2022	25,000	4,617
2023	25,000	3,729
2024	25,000	2,783
2025-2026	42,500	2,483
Totals	<u>\$ 167,500</u>	<u>\$ 25,298</u>

3. Sheriff's Vehicles

Anderson County entered into a \$184,254 lease agreement on February 20, 2014, with the Kentucky Association of Counties Leasing Trust to purchase vehicles for the sheriff's office. The agreement requires monthly principal and interest payments. The effective interest rate is 3.34 percent, and the agreement is to be paid in full by February 20, 2020. In the event of default, the lessor may terminate the lease and give notice to surrender the equipment within 60 days, recover the lease payments which would have otherwise been payable during the lease period, or sell/sublease the equipment for the account of the lessee yet holding the lessee liable for all lease payments that would be due under the lease for which any proceeds of the sale/lease of the equipment does not provide. As of June 30, 2019, this lease has been paid in full.

4. Ambulance #31A

Anderson County entered into a \$131,896 lease agreement on December 14, 2015, with the Kentucky Association of Counties Leasing Trust to purchase an ambulance. This agreement requires monthly principal and interest payments. The effective interest rate is 3.36 percent, and the agreement is to be paid in full by December 20, 2018. In the event of default, the lessor may terminate the lease and give notice to surrender the equipment within 60 days, recover the lease payments which would have otherwise been payable during the lease period, or sell/sublease the equipment for the account of the lessee yet holding the lessee liable for all lease payments that would be due under the lease for which any proceeds of the sale/lease of the equipment does not provide. As of June 30, 2019, this lease has been paid in full.

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

Note 4. Long-Term Debt (Continued)

A. Direct Borrowings (Continued)

5. Ambulance #31B

Anderson County entered into a \$131,896 lease agreement on December 14, 2015 with the Kentucky Association of Counties Leasing Trust to purchase an ambulance. This agreement requires monthly principal and interest payments. The effective interest rate is 3.36 percent, and the agreement is to be paid in full by December 20, 2018. In the event of default, the lessor may terminate the lease and give notice to surrender the equipment within 60 days, recover the lease payments which would have otherwise been payable during the lease period, or sell/sublease the equipment for the account of the lessee yet holding the lessee liable for all lease payments that would be due under the lease for which any proceeds of the sale/lease of the equipment does not provide. As of June 30, 2019, this lease has been paid in full.

6. County Clerk's Building

Anderson County entered into a \$320,000 lease agreement on April 3, 2014, with the Kentucky Association of Counties Leasing Trust to acquire a building for the County Clerk's Office. This agreement requires monthly principal and interest payments. The effective interest rate is 4.263 percent, and the agreement is to be paid in full by December 20, 2033. In the event of default, the lessor may terminate the lease and give notice to surrender the equipment within 60 days, recover the lease payments which would have otherwise been payable during the lease period, or sell/sublease the property for the account of the lessee yet holding the lessee liable for all lease payments that would be due under the lease for which any proceeds of the sale/lease of the property does not provide. The following schedule indicates principal and interest payments according to the original lease agreement. The outstanding principal balance was \$247,500 as of June 30, 2019. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2020	\$ 15,000	\$ 9,075
2021	15,000	8,625
2022	15,000	8,175
2023	15,000	8,175
2024	15,000	7,275
2025-2029	82,500	28,325
2030-2034	90,000	10,000
Totals	<u>\$ 247,500</u>	<u>\$ 79,650</u>

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

7. Heart Monitors

Anderson County entered into an \$188,115 lease agreement on September 14, 2017, with the Kentucky Association of Counties Leasing Trust to purchase heart monitors. This agreement requires monthly principal and interest payments. The effective interest rate is 3.50 percent, and the agreement is to be paid in full by September 20, 2024. In the event of default, the lessor may terminate the lease and give notice to surrender the equipment within 60 days, recover the lease payments which would have otherwise been payable during the lease period, or sell/sublease the equipment for the account of the lessee yet holding the lessee liable for all lease payments that would be due under the lease for which any proceeds of the sale/lease of the equipment does not provide. The following schedule indicates principal and interest payments according to the original lease agreement. The outstanding principal balance was \$144,829 as of June 30, 2019. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2020	\$ 25,902	\$ 4,656
2021	26,669	3,736
2022	27,460	2,791
2023	28,274	1,816
2024	29,112	813
2025	7,412	43
Totals	<u>\$ 144,829</u>	<u>\$ 13,855</u>

8. Ambulance

Anderson County entered into an \$113,236 lease agreement on January 23, 2018, with the Kentucky Association of Counties Leasing Trust to purchase an ambulance. This agreement requires monthly principal and interest payments. The effective interest rate is 3.95 percent, and the agreement is to be paid in full by January 20, 2021. In the event of default, the lessor may terminate the lease and give notice to surrender the equipment within 60 days, recover the lease payments which would have otherwise been payable during the lease period, or sell/sublease the equipment for the account of the lessee yet holding the lessee liable for all lease payments that would be due under the lease for which any proceeds of the sale/lease of the equipment does not provide. The following schedule indicates principal and interest payments according to the original lease agreement. The outstanding principal balance was \$61,484 as of June 30, 2019. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2020	\$ 38,385	\$ 1,738
2021	23,099	305
Totals	<u>\$ 61,484</u>	<u>\$ 2,043</u>

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

Note 4. Long-Term Debt (Continued)

B. Changes In Long-Term Debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Financing Obligations	\$ 1,018,906	\$	\$ 262,593	\$ 756,313	\$ 169,287
Total Long-term Debt	<u>\$ 1,018,906</u>	<u>\$ 0</u>	<u>\$ 262,593</u>	<u>\$ 756,313</u>	<u>\$ 169,287</u>

Note 5. Employee Retirement System

The fiscal court has elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which is administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). This is a cost-sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute.

The county's contribution for FY 2017 was \$595,028, FY 2018 was \$653,111, and FY 2019 was \$735,872.

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 21.48 percent.

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

Note 5. Employee Retirement System (Continued)

Hazardous

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008, are required to contribute 9 percent of their salary to be allocated as follows: 8 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. Hazardous members contribute 8 percent of their annual creditable compensation and 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 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 hazardous member's account is credited with a 7.5 percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008, aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

The county's contribution rate for hazardous employees was 35.34 percent.

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

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

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

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

Note 5. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

A. Health Insurance Coverage - Tier 1 (Continued)

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

Hazardous employees whose participation began on or after July 1, 2003, earn 15 dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, the employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. 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. Health Insurance Coverage - Tier 2 and Tier 3 - Hazardous

Once members reach a minimum vesting period of 15 years, they earn fifteen 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. Upon the death of a hazardous employee, the employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. 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 COLA since July 2003 when the law changed. The annual increase is cumulative and continues to accrue after the member's retirement.

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

Note 5. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

D. 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.

E. 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.

F. 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 6. Deferred Compensation

On February 24, 2000, the Anderson 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.

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

Note 6. Deferred Compensation (Continued)

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 7. Health Reimbursement Account/Flexible Spending Account

The Anderson Fiscal Court established a flexible spending account on June 29, 2009, 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 various amounts based on the health insurance the employee has, each year to pay for qualified medical expenses. Employees may also contribute additional pre-tax funds through payroll deduction.

Note 8. Insurance

For the fiscal year ended June 30, 2019, the Anderson 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 9. Related Party Transactions

For fiscal year end June 30, 2019, Anderson County officials disclosed the following related party transactions:

- The wife of a magistrate owns a cleaning service that Anderson County spent \$39,425 with during the fiscal year.
- A magistrate works at an agricultural retail store which the county spent \$1,692 during the fiscal year.

Note 10. Negative Fund Balances

As of June 30, 2019, the jail fund had a negative fund balance in the amount of \$62,647 and the park fund had a negative balance of \$2,367. These deficits were due to issuing checks prior to having funds available to cover the checks.

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

For The Year Ended June 30, 2019

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ANDERSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2019

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 2,438,500	\$ 2,438,500	\$ 2,147,685	\$ (290,815)
Excess Fees			120,696	120,696
Licenses and Permits	50,000	50,000	93,999	43,999
Intergovernmental	220,500	220,500	254,814	34,314
Charges for Services	230,500	230,500	222,951	(7,549)
Miscellaneous	395,950	395,950	659,452	263,502
Interest	500	500	1,059	559
Total Receipts	<u>3,335,950</u>	<u>3,335,950</u>	<u>3,500,656</u>	<u>164,706</u>
DISBURSEMENTS				
General Government	953,456	992,118	993,088	(970)
Protection to Persons and Property	14,473	13,049	13,049	
General Health and Sanitation	260,852	292,200	292,200	
Social Services	35,000	33,500	33,500	
Debt Service	25,920	25,421	25,431	(10)
Administration	2,088,765	2,022,178	2,128,752	(106,574)
Total Disbursements	<u>3,378,466</u>	<u>3,378,466</u>	<u>3,486,020</u>	<u>(107,554)</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(42,516)</u>	<u>(42,516)</u>	<u>14,636</u>	<u>57,152</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	42,516	42,516		(42,516)
Transfers To Other Funds			(300,000)	(300,000)
Total Other Adjustments to Cash (Uses)	<u>42,516</u>	<u>42,516</u>	<u>(300,000)</u>	<u>(342,516)</u>
Net Change in Fund Balance			(285,364)	(285,364)
Fund Balance - Beginning			<u>899,072</u>	<u>899,072</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 613,708</u>	<u>\$ 613,708</u>

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

	ROAD FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 1,006,552	\$ 1,006,552	\$ 1,913,792	\$ 907,240
Miscellaneous			2,388	2,388
Total Receipts	<u>1,006,552</u>	<u>1,006,552</u>	<u>1,916,180</u>	<u>909,628</u>
DISBURSEMENTS				
Roads	906,552	971,982	1,975,988	(1,004,006)
Capital Projects	100,000	34,570	34,570	
Total Disbursements	<u>1,006,552</u>	<u>1,006,552</u>	<u>2,010,558</u>	<u>(1,004,006)</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			<u>(94,378)</u>	<u>(94,378)</u>
Net Change in Fund Balance			(94,378)	(94,378)
Fund Balance - Beginning			<u>1,677,630</u>	<u>1,677,630</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,583,252</u>	<u>\$ 1,583,252</u>

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

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 99,500	\$ 99,500	\$ 95,241	\$ (4,259)
Total Receipts	<u>99,500</u>	<u>99,500</u>	<u>95,241</u>	<u>(4,259)</u>
DISBURSEMENTS				
Protection to Persons and Property	914,676	914,676	927,078	(12,402)
Total Disbursements	<u>914,676</u>	<u>914,676</u>	<u>927,078</u>	<u>(12,402)</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(815,176)</u>	<u>(815,176)</u>	<u>(831,837)</u>	<u>(16,661)</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	815,176	815,176	769,190	(45,986)
Total Other Adjustments to Cash (Uses)	<u>815,176</u>	<u>815,176</u>	<u>769,190</u>	<u>(45,986)</u>
Net Change in Fund Balance			(62,647)	(62,647)
Fund Balance - Beginning				
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (62,647)</u>	<u>\$ (62,647)</u>

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

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
RECEIPTS				
Intergovernmental	\$ 70,000	\$ 70,000	\$ 87,381	\$ 17,381
Miscellaneous				
Total Receipts	<u>70,000</u>	<u>70,000</u>	<u>87,381</u>	<u>17,381</u>
DISBURSEMENTS				
Protection to Persons and Property	2,389			
Debt Service	119,530	121,919	142,946	(21,027)
Total Disbursements	<u>121,919</u>	<u>121,919</u>	<u>142,946</u>	<u>(21,027)</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)				
	<u>(51,919)</u>	<u>(51,919)</u>	<u>(55,565)</u>	<u>(3,646)</u>
Net Change in Fund Balance	(51,919)	(51,919)	(55,565)	(3,646)
Fund Balance - Beginning	<u>51,919</u>	<u>51,919</u>	<u>116,553</u>	<u>64,634</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 60,988</u>	<u>\$ 60,988</u>

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

	AEMS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 10,000	\$ 10,000	\$ 9,999	\$ (1)
Charges for Services	1,492,000	1,492,000	1,413,165	(78,835)
Miscellaneous	40,000	40,000	46,914	6,914
Total Receipts	<u>1,542,000</u>	<u>1,542,000</u>	<u>1,470,078</u>	<u>(71,922)</u>
DISBURSEMENTS				
Protection to Persons and Property	<u>1,778,367</u>	<u>2,053,367</u>	<u>1,861,732</u>	<u>191,635</u>
Total Disbursements	<u>1,778,367</u>	<u>2,053,367</u>	<u>1,861,732</u>	<u>191,635</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(236,367)</u>	<u>(511,367)</u>	<u>(391,654)</u>	<u>119,713</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>236,367</u>	<u>511,367</u>	<u>511,367</u>	
Total Other Adjustments to Cash (Uses)	<u>236,367</u>	<u>511,367</u>	<u>511,367</u>	
Net Change in Fund Balance			119,713	119,713
Fund Balance - Beginning			<u>(11,262)</u>	<u>(11,262)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 108,451</u>	<u>\$ 108,451</u>

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

	PARK FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Charges for Services	\$ 70,000	\$ 70,000	\$ 75,814	\$ 5,814
Miscellaneous	16,000	16,000	17,383	1,383
Total Receipts	<u>86,000</u>	<u>86,000</u>	<u>93,197</u>	<u>7,197</u>
DISBURSEMENTS				
Recreation and Culture	250,516	275,516	300,003	(24,487)
Debt Service	74,478	74,478	74,478	
Total Disbursements	<u>324,994</u>	<u>349,994</u>	<u>374,481</u>	<u>(24,487)</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(238,994)</u>	<u>(263,994)</u>	<u>(281,284)</u>	<u>(17,290)</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>238,994</u>	<u>263,994</u>	<u>263,994</u>	
Total Other Adjustments to Cash (Uses)	<u>238,994</u>	<u>263,994</u>	<u>263,994</u>	
Net Change in Fund Balance			(17,290)	(17,290)
Fund Balance - Beginning			<u>14,923</u>	<u>14,923</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (2,367)</u>	<u>\$ (2,367)</u>

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

CAPITAL OUTLAY FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 1,450,000	\$ 1,450,000	\$ 1,351,465	\$ (98,535)
Licenses and Permits	45,000	45,000	43,737	(1,263)
Interest	500	500	796	296
Total Receipts	<u>1,495,500</u>	<u>1,495,500</u>	<u>1,395,998</u>	<u>(99,502)</u>
DISBURSEMENTS				
General Government	5,000	5,000	155	4,845
Total Disbursements	<u>5,000</u>	<u>5,000</u>	<u>155</u>	<u>4,845</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>1,490,500</u>	<u>1,490,500</u>	<u>1,395,843</u>	<u>(94,657)</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	<u>(1,490,500)</u>	<u>(1,490,500)</u>	<u>(1,401,598)</u>	<u>88,902</u>
Total Other Adjustments to Cash (Uses)	<u>(1,490,500)</u>	<u>(1,490,500)</u>	<u>(1,401,598)</u>	<u>88,902</u>
Net Change in Fund Balance			(5,755)	(5,755)
Fund Balance - Beginning			<u>76,862</u>	<u>76,862</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 71,107</u>	<u>\$ 71,107</u>

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

	COURTHOUSE REPAIR FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 35,000	\$ 35,000	\$ 46,027	\$ 11,027
Total Receipts	<u>35,000</u>	<u>35,000</u>	<u>46,027</u>	<u>11,027</u>
DISBURSEMENTS				
General Government	190,547	189,268	171,008	18,260
General Health and Sanitation	1,500	2,779	2,576	203
Total Disbursements	<u>192,047</u>	<u>192,047</u>	<u>173,584</u>	<u>18,463</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(157,047)</u>	<u>(157,047)</u>	<u>(127,557)</u>	<u>29,490</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	157,047	157,047	157,047	
Total Other Adjustments to Cash (Uses)	<u>157,047</u>	<u>157,047</u>	<u>157,047</u>	
Net Change in Fund Balance			29,490	29,490
Fund Balance - Beginning				
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 29,490</u>	<u>\$ 29,490</u>

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

EMERGENCY 911 CELLULAR FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 158,100	\$ 158,100	\$ 189,263	\$ 31,163
Total Receipts	<u>158,100</u>	<u>158,100</u>	<u>189,263</u>	<u>31,163</u>
DISBURSEMENTS				
Protection to Persons and Property	158,100	158,019	163,099	(5,080)
Total Disbursements	<u>158,100</u>	<u>158,019</u>	<u>163,099</u>	<u>(5,080)</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		<u>81</u>	<u>26,164</u>	<u>26,083</u>
Net Change in Fund Balance		81	26,164	26,083
Fund Balance - Beginning			<u>420,007</u>	<u>420,007</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 446,171</u>	<u>\$ 446,090</u>

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

EMERGENCY 911 LANDLINE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 85,000	\$ 85,000	\$ 84,873	\$ (127)
Total Receipts	<u>85,000</u>	<u>85,000</u>	<u>84,873</u>	<u>(127)</u>
DISBURSEMENTS				
Protection to Persons and Property	106,500	106,500	40,785	65,715
Total Disbursements	<u>106,500</u>	<u>106,500</u>	<u>40,785</u>	<u>65,715</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(21,500)</u>	<u>(21,500)</u>	<u>44,088</u>	<u>65,588</u>
Net Change in Fund Balance	(21,500)	(21,500)	44,088	65,588
Fund Balance - Beginning	<u>21,500</u>	<u>21,500</u>	<u>114,218</u>	<u>92,718</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 158,306</u>	<u>\$ 158,306</u>

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

June 30, 2019

Note 1. Budgetary Information

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

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

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

Note 2. Excess of Disbursements Over Budget Appropriations

The Anderson County Fiscal Court exceeded the budgeted appropriations in the following line items in the following funds:

General Fund:

- General Government by \$970
- Debt Service by \$10
- Administration by \$106,574

Road Fund:

- Roads by \$1,004,006

Jail Fund:

- Protection to Persons and Property by \$12,402

LGEA Fund:

- Debt Service by \$21,027

Park Fund:

- Recreation and Culture by \$24,487

Emergency 911 Cellular Fund:

- Protection to Persons and Property by \$5,080

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

For The Year Ended June 30, 2019

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

For The Year Ended June 30, 2019

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 1,088,151	\$	\$	\$ 1,088,151
Buildings	8,559,270			8,559,270
Vehicles and Equipment	2,548,082	90,404		2,638,486
Other Equipment	1,450,527	59,953		1,510,480
Infrastructure	7,903,332	1,471,321		9,374,653
 Total Capital Assets	 <u>\$ 21,549,362</u>	 <u>\$ 1,621,678</u>	 <u>\$ 0</u>	 <u>\$ 23,171,040</u>

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

June 30, 2019

Note 1. Capital Assets

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

	<u>Capitalization Threshold</u>	<u>Useful Life (Years)</u>
Land Improvements	\$ 10,000	40
Buildings	\$ 25,000	40
Vehicles and Equipment	\$ 10,000	10
Other Equipment	\$ 10,000	10
Infrastructure	\$ 20,000	10

**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 Orbrey Gritton, Anderson County Judge/Executive
Members of the Anderson 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 Anderson County Fiscal Court for the fiscal year ended June 30, 2019, and the related notes to the financial statement which collectively comprise the Anderson County Fiscal Court's financial statement and have issued our report thereon dated March 11, 2020.

Internal Control Over Financial Reporting

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

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



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

Internal Control Over Financial Reporting (Continued)

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items, 2019-002 and 2019-003 to be significant deficiencies.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Anderson 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2019-001.

Views of Responsible Official and Planned Corrective Action

Anderson 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

March 11, 2020

**ANDERSON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2019

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**ANDERSON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2019

FINANCIAL STATEMENT FINDINGS:

2019-001 The Anderson County Fiscal Court Did Not Properly Monitor The Budget

The following discrepancies were noted when reviewing the budget:

- One budget amendment, totaling \$300,000, was not made or approved until after payments were made that caused the line item budgets to be exceeded. This amendment was used to correct overages in budgeted line items at the end of the fiscal year.
- One budget amendment shown on the 4th Quarter Report, totaling \$1,125,000, was not presented to fiscal court for approval.
- Disbursements exceeded the budget in the General Fund by \$107,554, Road Fund by \$1,004,006, Jail Fund by \$12,402, LGEA Fund by \$21,027, Park Fund by \$24,487, and Emergency 911 Cellular Fund by \$5,087; and
- Disbursements exceeded 65% of the budget in the Road Fund before January 1.

The fiscal court did not have internal controls in place to establish appropriate oversight of the budget and financial activities. The fiscal court's failure to establish effective internal controls over the budget resulted in numerous instances of noncompliance as reflected above.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. Pursuant to KRS 68.210, the state local finance officer has prescribed minimum accounting and reporting standards in the Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual*. Per the manual, it is necessary to amend the budget to reflect the receipt and expenditure of funds received that were not part of the original budget document. An amendment of this nature should be made immediately upon receipt of those funds. Budget amendments may also be made if the county receives unanticipated revenues or revenues exceeding the budgeted estimates.

Good internal controls dictate that payments are not made that exceed the approved appropriations. Budgets are used as controls to ensure overspending does not occur, and when budget amendments are not made timely it does not permit the government to follow a proper process to approve appropriations.

Pursuant to KRS 68.310, counties are restricted in the 4th year of a term in the amount they are allowed to expend. Simply stated, no county can encumber or expend more than 65% of each individual fund in the budget excluding debt service payments, grant expenditures, and capital projects funded with debt issuance above sixty-five (65%) in the road fund are allowable as long as it is offset by a dollar for dollar savings in the general fund.

We recommend the fiscal court implement controls to closely monitor the budget and to amend the county's budget or transfer necessary appropriations in order to prevent the county from exceeding the budget. The county should ensure these amendments are approved before the expenditures are made.

County Judge/Executive's Response: We would like to emphasize that funds were available in the road fund; our shortcoming was procedural. Obviously, we intended to amend the road fund budget because the monthly, quarterly, and annual reports included the amendment. However, due to an oversight the amendment did not get on the list that was presented to the Fiscal Court for official approval. We do understand the importance of this procedure and will exert all efforts to make sure that this oversight is not repeated.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2019-002 The Anderson County Fiscal Court Does Not Have Adequate Segregation Of Duties Over Payroll And Payroll Processes

This is a repeat finding and was included in the prior year audit report as finding 2018-001. The fiscal court lacks adequate segregation of duties over payroll. Although the finance officer receives the timecards, the county treasurer inputs the payroll information into the payroll software, prepares the reports, prepares payroll checks and direct deposit, and signs the checks. The county treasurer also prepares and disburses all required payroll deductions, taxes, and retirement payments. The checks are given to the judge executive or designee to sign but no comparison is being done to the payroll reports.

The lack of segregation of duties is due to insufficient cross-training and knowledge of the payroll system. Without proper segregation of duties over the payroll process, the risk of fraud or error increases. Segregation of duties over these tasks or the implementation of compensation controls is essential for providing protection against the misappropriation of assets or inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

We recommend the fiscal court strengthen internal controls by segregating these duties. If segregation of duties is not possible, strong oversight should be implemented. Some compensating controls that could be implemented:

- The judge executive or designee should review the payroll report before checks are signed or information is sent to the bank. This review should be documented by initialing the report.
- The judge executive or designee should compare the disbursement checks for deductions, payroll taxes, and retirement to the reports before signing checks and document the review by initialing the reports.

County Judge/Executive's Response: Compensating controls do exist regarding segregation of duties over payroll. However, ACFC has a unique arrangement that utilizes payroll professionals that are employees of the County Treasurer, rather than direct employees of ACFC. ACFC only has one Treasurer and one Finance Officer, necessitating some creative solutions to accomplish the age-old problem of segregating duties with minimal accounting personnel.

Auditors Reply: To clarify, the finding reports that the county did not have proper segregation of duties, which is an important internal control. Whereas the county's treasurer is part of its internal control structure, non-county employees employed by the treasurer's personal business are not part of the county's system of internal controls. Additionally, individuals that are not employed by the county or under contract directly with the county should not have access to confidential county information, especially personnel/payroll records. As stated, there were no compensating controls in place to offset this deficiency.

2019-003 The Anderson County Fiscal Court Does Not Have Segregation Of Duties Over Disbursements

This is a repeat finding and was included in the prior year audit report as finding 2018-002. The county treasurer prepares a master claims list, prepares and signs checks, posts to the appropriations ledger, and reconciles the bank statements. During fiscal year 2019, the county judge/executive did not keep certain records and make certain reports or designate the finance officer to perform these duties as outlined by the Department for Local Government (DLG). Those duties were performed in the treasurer's office rather than by the finance officer as required by DLG. When one person has complete control over financial activity in the county, the risk of fraud or error in reporting increases.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2019-003 The Anderson County Fiscal Court Does Not Have Segregation Of Duties Over Disbursements
(Continued)

Per the Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual*, the finance officer should be responsible for duties as noted below:

1. Receive all county claims and then prepare a master claims list to present to the fiscal court.
2. Prepare all checks on claims reviewed by the fiscal court.
3. Maintain an appropriation ledger.
4. Be responsible for the county's quarterly financial statement, pursuant to KRS 68.360
5. Reconcile the appropriation ledger with the treasurer's appropriation ledger at least once a month.

We recommend that the judge/executive follow the requirements of the Department for Local Government or designate the finance officer to maintain the appropriate records and perform the duties listed above. Duties should be adequately segregated to ensure that no one person has complete control over financial activity in the county. We will refer this deficiency to the Department for Local Government.

County Judge/Executive's Response: Action has already been taken to strengthen and improve controls and segregation of duties over disbursements. However, we believe the objective of segregation of duties is satisfied to the degree that ACFC is able with such a small staff. We think all will agree that segregation of duties is difficult to achieve in a small organization. ACFC is also concerned about budget restrictions and takes its stewardship very seriously. ACFC does not want to hire personnel just to achieve segregation of duties; the cost to benefit simply does not justify that action.

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

ANDERSON COUNTY FISCAL COURT

For The Year Ended June 30, 2019

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CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
ANDERSON COUNTY FISCAL COURT

For The Year Ended June 30, 2019

The Anderson 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