

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

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



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

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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



To the People of Kentucky
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Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the Carlisle 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 Carlisle 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 Carlisle County Fiscal Court as of June 30, 2019, and their respective cash receipts and disbursements, and budgetary results for the year then ended, in accordance with the basis of accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

Other Matters

Supplementary and Other Information

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

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

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

To the People of Kentucky
The Honorable Andy Beshear, Governor
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Members of the Carlisle County Fiscal Court

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2020, on our consideration of the Carlisle 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 Carlisle 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:

- 2019-001 The Carlisle County Fiscal Court Did Not Approve Cash Transfers Prior To Making Them
- 2019-002 The Carlisle County Fiscal Court Failed To Comply With Bidding Requirements
- 2019-003 The Carlisle County Fiscal Court Lacks Internal Controls Over The Ambulance Service Contract
- 2019-004 Failure To Account For Some Receipts And Disbursements Resulted In Overspent Line-Items

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

March 18, 2020

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

Greg Terry	County Judge/Executive
Lloyd Presson	Magistrate (Retired 1/6/19)
Lisa Adams	Magistrate
Matt Oliver	Magistrate
James Pearson	Magistrate

Other Elected Officials:

Michael Hogancamp	County Attorney
Ronny Owens	Jailer (Retired 1/6/19)
David Nelson	Jailer
Michael Toon	County Clerk (Retired 1/6/19)
Becky Martin	County Clerk
Kevin Hoskins	Circuit Court Clerk
Steve Perry	Sheriff (Retired 1/6/19)
Will Gilbert	Sheriff
Jonathan Bruer	Property Valuation Administrator
Brigitte Choate	Coroner

Appointed Personnel:

Kalia Bruer	County Treasurer
Jessica Galloway	Chief Financial Officer

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

For The Year Ended June 30, 2019

CARLISLE 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	\$ 745,396	\$	\$
In Lieu Tax Payments	27,344		
Excess Fees	32,176		
Licenses and Permits	50,331		
Intergovernmental	317,661	1,368,843	94,497
Charges for Services			
Miscellaneous	21,163	61,811	390
Interest	15	441	4
Total Receipts	<u>1,194,086</u>	<u>1,431,095</u>	<u>94,891</u>
DISBURSEMENTS			
General Government	726,071		
Protection to Persons and Property	2,728		86,217
General Health and Sanitation	22,165		
Social Services	3,577		
Recreation and Culture	26,537		
Roads		933,886	
Debt Service	115,512		
Capital Projects		111,735	
Administration	284,414	85,760	11,932
Total Disbursements	<u>1,181,004</u>	<u>1,131,381</u>	<u>98,149</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>13,082</u>	<u>299,714</u>	<u>(3,258)</u>
Other Adjustments to Cash (Uses)			
Transfers From Other Funds	326,500	115,184	
Transfers To Other Funds	(271,096)	(313,900)	
Total Other Adjustments to Cash (Uses)	<u>55,404</u>	<u>(198,716)</u>	
Net Change in Fund Balance	68,486	100,998	(3,258)
Fund Balance - Beginning (Restated)	78,116	122,704	22,110
Fund Balance - Ending	<u>\$ 146,602</u>	<u>\$ 223,702</u>	<u>\$ 18,852</u>
Composition of Fund Balance			
Bank Balance	\$ 148,596	\$ 213,097	\$ 18,296
Plus: Deposits In Transit	1,336	13,163	556
Less: Outstanding Checks	(3,330)	(2,558)	
Fund Balance - Ending	<u>\$ 146,602</u>	<u>\$ 223,702</u>	<u>\$ 18,852</u>

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

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

Budgeted Funds						
Disaster Emergency Services Fund	Ambulance Fund	911 Fund	Homeland Security Fund	Easter Egg Hunt/ Carlisle Festival Fund	Hazard Mitigation Fund	Community Building Fund
\$	\$ 243,362	\$ 182,676	\$	\$	\$	\$
	2,547					
9,938	10,000		51,512		8,288	
	340,829			2,873		
13,924	5,745	370		1,990		28,519
	174	1				3
<u>23,862</u>	<u>602,657</u>	<u>183,047</u>	<u>51,512</u>	<u>4,863</u>	<u>8,288</u>	<u>28,522</u>
						41,862
44,980	453,310	199,478	12,800			
				6,951		
	113,088					19,910
13,285	26,144	52,157			12,244	995
<u>58,265</u>	<u>592,542</u>	<u>251,635</u>	<u>12,800</u>	<u>6,951</u>	<u>12,244</u>	<u>62,767</u>
(34,403)	10,115	(68,588)	38,712	(2,088)	(3,956)	(34,245)
42,287	43,230	61,423	12,600			42,449
	(3,628)		(55,049)			
<u>42,287</u>	<u>39,602</u>	<u>61,423</u>	<u>(42,449)</u>			<u>42,449</u>
7,884	49,717	(7,165)	(3,737)	(2,088)	(3,956)	8,204
	72,236	15,635	3,737	4,271	6,079	8,587
<u>\$ 7,884</u>	<u>\$ 121,953</u>	<u>\$ 8,470</u>	<u>\$ 0</u>	<u>\$ 2,183</u>	<u>\$ 2,123</u>	<u>\$ 16,791</u>
\$ 7,884	\$ 139,880	\$ 6,596	\$	\$ 2,183	\$ 2,123	\$ 16,791
	159	4,471				
	(18,086)	(2,597)				
<u>\$ 7,884</u>	<u>\$ 121,953</u>	<u>\$ 8,470</u>	<u>\$ 0</u>	<u>\$ 2,183</u>	<u>\$ 2,123</u>	<u>\$ 16,791</u>

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

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

	<u>Unbudgeted Fund</u>	
	Public Properties Corporation Fund	Total Funds
	<u> </u>	<u> </u>
RECEIPTS		
Taxes	\$	\$ 1,171,434
In Lieu Tax Payments		27,344
Excess Fees		32,176
Licenses and Permits		52,878
Intergovernmental	786,083	2,646,822
Charges for Services		343,702
Miscellaneous		133,912
Interest	11,220	11,858
Total Receipts	<u>797,303</u>	<u>4,420,126</u>
DISBURSEMENTS		
General Government		767,933
Protection to Persons and Property		799,513
General Health and Sanitation		22,165
Social Services		3,577
Recreation and Culture		33,488
Roads		933,886
Debt Service	784,583	1,033,093
Capital Projects		111,735
Administration	1,500	488,431
Total Disbursements	<u>786,083</u>	<u>4,193,821</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>11,220</u>	<u>226,305</u>
Other Adjustments to Cash (Uses)		
Transfers From Other Funds		643,673
Transfers To Other Funds		(643,673)
Total Other Adjustments to Cash (Uses)		<u> </u>
Net Change in Fund Balance	11,220	226,305
Fund Balance - Beginning	534,910	868,385
Fund Balance - Ending	<u>\$ 546,130</u>	<u>\$ 1,094,690</u>
Composition of Fund Balance		
Bank Balance	\$ 546,130	\$ 1,101,576
Plus: Deposits In Transit		19,685
Less: Outstanding Checks		(26,571)
Fund Balance - Ending	<u>\$ 546,130</u>	<u>\$ 1,094,690</u>

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

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**CARLISLE COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2019

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

Carlisle County Industrial Development Authority 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 required to be a components 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.

CARLISLE 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)

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.

Disaster Emergency Services Fund - The primary purpose of this fund is to account for expenses related to disasters and emergency events. The primary sources of receipts for this fund are grants from the state and federal governments.

Ambulance Fund - The primary purpose of this fund is to account for the operation of the ambulance services provided by the county.

911 Fund - The primary purpose of this fund is to account for emergency equipment expenses of the county. The primary source of receipts for this fund is 911 surcharges.

Homeland Security Fund - The primary purpose of this fund is to account for services and equipment in the event of a disaster situation. The primary sources of receipts for this fund are federal and state grants.

Easter Egg Hunt/Carlisle Festival Fund - The primary purpose of this fund is to account for the revenues and expenses associated with recreational events put on by the county. The primary source of receipts are donations and ticket sales.

Hazard Mitigation Fund - The primary purpose of this fund is to account for the revenues and expenses associated with hazard mitigation in which action is taken to reduce or eliminate long term risk to people and property from natural disasters.

Community Building Fund - The primary purpose of this fund is to account for the revenues and expenses associated with the community building. The primary source of receipts is rent revenues.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

Public Properties 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.

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

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information (Continued)

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

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

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

E. Carlisle County Elected Officials

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

CARLISLE 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	Road Fund	Ambulance Fund	Homeland Security Fund	Total Transfers In
General Fund	\$	\$ 313,900	\$	\$ 12,600	\$ 326,500
Road Fund	115,184				115,184
DES Fund	42,287				42,287
Ambulance Fund	39,602		3,628		43,230
911 Fund	61,423				61,423
Homeland Security Fund	12,600				12,600
Community Building Fund				42,449	42,449
Total Transfers Out	<u>\$ 271,096</u>	<u>\$ 313,900</u>	<u>\$ 3,628</u>	<u>\$ 55,049</u>	<u>\$ 643,673</u>

Reason for transfers:

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

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

Note 4. Short-term Debt

A. Direct Borrowing and Direct Placements

1. Kentucky Association of Counties Leasing Trust (KAColt)

The Carlisle County Fiscal Court entered into an agreement on May 12, 2018, with Kentucky Association of Counties Leasing Trust (KAColt) for the purpose of purchasing road materials for the Carlisle County Road Department for \$100,000 at an assumed interest rate of 3.73 percent. As of June 30, 2019, the balance had been paid in full.

B. Changes In Short-term Debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	\$ 100,000	\$	\$ 100,000	\$	\$
Total Short-term Debt	<u>\$ 100,000</u>	<u>\$ 0</u>	<u>\$ 100,000</u>	<u>\$ 0</u>	<u>\$ 0</u>

Note 5. Long-term Debt

A. Direct Borrowing and Direct Placements

1. Kentucky Association of Counties Finance Corporation – Extension Office and Ambulance Building

The Carlisle County Fiscal Court entered into a financing agreement on December 13, 2013, with Kentucky Association of Counties Finance Corporation for the purpose of construction of the Carlisle County Extension Office and Emergency Ambulance Service Building. Interest is paid semi-annually for 30 years with an assumed interest rate of 3 percent to 4.5 percent. Carlisle County has subleased half of the building to the Carlisle County Extension Office, and the Extension Office is providing the fifty percent of the debt service payments as prescribed in the aforementioned lease. The principal balance as of June 30, 2019, was \$1,225,000. Future principal and interest requirements are as follows:

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

Note 5. Long-term Debt (Continued)

A. Direct Borrowing and Direct Placements (Continued)

1. Kentucky Association of Counties Finance Corporation – Extension Office and Ambulance Building (Continued)

Fiscal Year Ending June 30	Principal	Scheduled Interest
2020	\$ 30,000	\$ 54,943
2021	30,000	53,968
2022	30,000	52,993
2023	35,000	52,018
2024	35,000	50,880
2025-2029	185,000	233,410
2030-2034	230,000	189,363
2035-2039	290,000	130,013
2040-2044	360,000	54,963
Totals	<u>\$ 1,225,000</u>	<u>\$ 872,551</u>

2. Kentucky Association of Counties Leasing Trust (KAColt) – Tahoe’s

The Carlisle County Fiscal Court entered into a financing agreement on March 3, 2015, with Kentucky Association of Counties Leasing Trust (KAColt) for the purpose of purchasing two Tahoe’s, one for the Carlisle County Fiscal Court and one for the Ambulance Service. Interest is paid monthly for 60 months with an assumed interest rate of 3.5 percent. As of June 30, 2019, the balance had been paid in full.

3. Kentucky Association of Counties Leasing Trust (KAColt) – Sheriff Charger

The Carlisle County Fiscal Court entered into a financing agreement on February 2, 2016, with Kentucky Association of Counties Leasing Trust (KAColt) for the purpose of purchasing a 2016 Dodge Charger, for the sheriff. The principal amount was \$31,271 at an assumed interest rate of 3.25 percent for three years. As of June 30, 2019, the balance had been paid in full.

4. Carlisle County Industrial Development Board

The Carlisle County Fiscal Court entered into an agreement on June 7, 2016, with Carlisle County Industrial Development Board for the purpose of purchasing equipment for \$90,000; \$39,047 of the lease was financed at an assumed interest rate of 6 percent and the remaining \$50,953 was financed at an assumed interest rate of 2.5 percent. The principal balance as of June 30, 2019, was \$38,180. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2020	\$ 18,703	\$ 1,207
2021	19,477	433
Totals	<u>\$ 38,180</u>	<u>\$ 1,640</u>

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

Note 5. Long-term Debt (Continued)

A. Direct Borrowing and Direct Placements (Continued)

5. Kentucky Association of Counties Leasing Trust (KAColt) – Ambulance

The Carlisle County Fiscal Court entered into a financing agreement on January 31, 2017, with Kentucky Association of Counties Leasing Trust (KAColt) for the purpose of purchasing an ambulance. The principal amount was \$123,555 at an assumed interest rate of 3.52 percent for five years. The principal balance as of June 30, 2019, was \$68,140. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2020	\$ 24,976	\$ 1,998
2021	25,664	1,107
2022	17,500	232
Totals	<u>\$ 68,140</u>	<u>\$ 3,337</u>

6. Sanitation District

The Carlisle County Fiscal Court entered into a financing agreement on December 12, 2017, with Kentucky Association of Counties Leasing Trust (KAColt) for the purpose of purchasing sanitation district equipment. The principal amount was \$15,000 at an assumed interest rate of 3.750 percent for three years. The principal balance as of June 30, 2019, was \$7,717. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2020	\$ 5,096	\$ 202
2021	2,621	29
Totals	<u>\$ 7,717</u>	<u>\$ 231</u>

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

Note 5. Long-term Debt (Continued)

B. Other Debt

1. First Mortgage Revenue Bonds Series 2009 (Courthouse Project)

The Carlisle County Public Properties Corporation issued First Mortgage Revenue Bonds Series 2009 dated September 1, 2009, for \$10,770,000 to be used for the construction of the Carlisle County Courthouse. Interest is payable semi-annually for 20 years and varies from 1 percent to 4 percent. The Carlisle County Public Properties Corporation has leased the building to the Commonwealth of Kentucky, Administrative Office of the Courts (AOC), and AOC is providing the debt service payments as prescribed in the aforementioned lease. The principal balance as of June 30, 2019 was \$6,475,000. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2020	\$ 545,000	\$ 237,913
2021	565,000	219,305
2022	585,000	198,595
2023	605,000	176,429
2024	630,000	153,115
2025-2029	<u>3,545,000</u>	<u>365,173</u>
Totals	<u>\$ 6,475,000</u>	<u>\$ 1,350,530</u>

C. Changes In Long-term Debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds	\$ 7,005,000	\$	\$ 530,000	\$ 6,475,000	\$ 545,000
Direct Borrowings and Direct Placements	<u>1,430,487</u>		<u>91,450</u>	<u>1,339,037</u>	<u>78,775</u>
Total Long-term Debt	<u>\$ 8,435,487</u>	<u>\$ 0</u>	<u>\$ 621,450</u>	<u>\$ 7,814,037</u>	<u>\$ 623,775</u>

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 2017 was \$192,965, FY 2018 was \$191,442, and FY 2019 was \$206,858.

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

Note 6. Employee Retirement System (Continued)

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.

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

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

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

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

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

Note 6. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1 (Continued)

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

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

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

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

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

C. Cost of Living Adjustments - Tier 1

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

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

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

E. Death Benefit

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

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.

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

Note 6. Employee Retirement System (Continued)

KRS Annual Financial Report and Proportionate Share Audit Report (Continued)

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 Carlisle County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees, and employees of local political subdivisions that have elected to participate.

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

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees' Deferred Compensation Authority at 501 High Street, 2nd Floor, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 8. Health Reimbursement Account

The Carlisle County Fiscal Court established a health reimbursement account on July 1, 2013 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 \$1,500 each year to pay for qualified medical expenses. The balance of the plan is \$5,244.

Note 9. Insurance

For the fiscal year ended June 30, 2019, the Carlisle 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.

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

Note 10. Prior Period Adjustments

The following funds were restated to account for bank activity that had not been previously reported. The following are the restated beginning balances:

	<u>General Fund</u>	<u>Jail Fund</u>	<u>Homeland Security Fund</u>	<u>Community Building Fund</u>
Ending Fund Balances Prior Year	\$ 66,158	\$ 22,109	\$ 200	\$ 12,124
Adjustments:				
Prior Year Adjustment	<u>11,958</u>	<u>1</u>	<u>3,537</u>	<u>(3,537)</u>
Beginning Fund Balances - Restated	<u>\$ 78,116</u>	<u>\$ 22,110</u>	<u>\$ 3,737</u>	<u>\$ 8,587</u>

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CARLISLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2019

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CARLISLE 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	\$ 701,700	\$ 733,986	\$ 745,396	\$ 11,410
In Lieu Tax Payments	25,000	27,344	27,344	
Excess Fees	10,000	42,176	32,176	(10,000)
Licenses and Permits	24,900	47,801	50,331	2,530
Intergovernmental	295,750	320,320	317,661	(2,659)
Miscellaneous	3,440	16,095	21,163	5,068
Interest	100	100	15	(85)
Total Receipts	<u>1,060,890</u>	<u>1,187,822</u>	<u>1,194,086</u>	<u>6,264</u>
DISBURSEMENTS				
General Government	757,519	776,908	726,071	50,837
Protection to Persons and Property	2,338	2,838	2,728	110
General Health and Sanitation	9,106	24,125	22,165	1,960
Social Services	500	500	3,577	(3,077)
Recreation and Culture	25,000	25,380	26,537	(1,157)
Debt Service	14,453	115,854	115,512	342
Administration	306,938	363,339	284,414	78,925
Total Disbursements	<u>1,115,854</u>	<u>1,308,944</u>	<u>1,181,004</u>	<u>127,940</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(54,964)</u>	<u>(121,122)</u>	<u>13,082</u>	<u>134,204</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	198,715	340,423	326,500	(13,923)
Transfers To Other Funds	<u>(143,751)</u>	<u>(285,459)</u>	<u>(271,096)</u>	<u>14,363</u>
Total Other Adjustments to Cash (Uses)	<u>54,964</u>	<u>54,964</u>	<u>55,404</u>	<u>440</u>
Net Change in Fund Balance		(66,158)	68,486	134,644
Fund Balance - Beginning (Restated)		<u>66,158</u>	<u>78,116</u>	<u>11,958</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 146,602</u>	<u>\$ 146,602</u>

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

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 869,609	\$ 1,282,157	\$ 1,368,843	\$ 86,686
Miscellaneous	10,000	47,116	61,811	14,695
Interest	100	348	441	93
Total Receipts	<u>879,709</u>	<u>1,329,621</u>	<u>1,431,095</u>	<u>101,474</u>
DISBURSEMENTS				
Roads	578,865	1,023,484	933,886	89,598
Capital Projects		111,735	111,735	
Administration	102,128	136,525	85,760	50,765
Total Disbursements	<u>680,993</u>	<u>1,271,744</u>	<u>1,131,381</u>	<u>140,363</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>198,716</u>	<u>57,877</u>	<u>299,714</u>	<u>241,837</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			115,184	115,184
Transfers To Other Funds	(198,716)	(198,716)	(313,900)	(115,184)
Total Other Adjustments to Cash (Uses)	<u>(198,716)</u>	<u>(198,716)</u>	<u>(198,716)</u>	
Net Change in Fund Balance		(140,839)	100,998	241,837
Fund Balance - Beginning		<u>122,704</u>	<u>122,704</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (18,135)</u>	<u>\$ 223,702</u>	<u>\$ 241,837</u>

CARLISLE 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	\$ 97,550	\$ 97,710	\$ 94,497	\$ (3,213)
Miscellaneous		140	390	250
Interest	2	4	4	
Total Receipts	<u>97,552</u>	<u>97,854</u>	<u>94,891</u>	<u>(2,963)</u>
DISBURSEMENTS				
Protection to Persons and Property	85,350	93,425	86,217	7,208
Administration	12,202	26,539	11,932	14,607
Total Disbursements	<u>97,552</u>	<u>119,964</u>	<u>98,149</u>	<u>21,815</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		<u>(22,110)</u>	<u>(3,258)</u>	<u>18,852</u>
Net Change in Fund Balance		(22,110)	(3,258)	18,852
Fund Balance - Beginning (Restated)		<u>22,110</u>	<u>22,110</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 18,852</u>	<u>\$ 18,852</u>

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

DISASTER EMERGENCY SERVICES FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 9,500	\$ 9,938	\$ 9,938	\$
Miscellaneous		13,344	13,924	580
Total Receipts	9,500	23,282	23,862	580
DISBURSEMENTS				
Protection to Persons and Property	31,410	45,192	44,980	212
Administration	13,701	13,701	13,285	416
Total Disbursements	45,111	58,893	58,265	628
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(35,611)	(35,611)	(34,403)	1,208
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	35,611	49,535	42,287	(7,248)
Transfers To Other Funds		(13,924)		13,924
Total Other Adjustments to Cash (Uses)	35,611	35,611	42,287	6,676
Net Change in Fund Balance			7,884	7,884
Fund Balance - Beginning				
Fund Balance - Ending	\$ 0	\$ 0	\$ 7,884	\$ 7,884

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

	AMBULANCE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 219,700	\$ 238,979	\$ 243,362	\$ 4,383
Licenses and Permits	2,400	2,400	2,547	147
Intergovernmental	10,000	10,000	10,000	
Charges for Services	270,000	307,203	340,829	33,626
Miscellaneous	100	5,744	5,745	1
Interest	20	83	174	91
Total Receipts	<u>502,220</u>	<u>564,409</u>	<u>602,657</u>	<u>38,248</u>
DISBURSEMENTS				
Protection to Persons and Property	441,800	476,824	453,310	23,514
Debt Service	70,129	70,129	113,088	(42,959)
Administration	30,500	86,895	26,144	60,751
Total Disbursements	<u>542,429</u>	<u>633,848</u>	<u>592,542</u>	<u>41,306</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(40,209)</u>	<u>(69,439)</u>	<u>10,115</u>	<u>79,554</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	40,209	43,837	43,230	(607)
Transfers To Other Funds		(3,628)	(3,628)	
Total Other Adjustments to Cash (Uses)	<u>40,209</u>	<u>40,209</u>	<u>39,602</u>	<u>(607)</u>
Net Change in Fund Balance		(29,230)	49,717	78,947
Fund Balance - Beginning		<u>29,230</u>	<u>72,236</u>	<u>43,006</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 121,953</u>	<u>\$ 121,953</u>

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

	911 FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 190,000	\$ 190,000	\$ 182,676	\$ (7,324)
Miscellaneous		370	370	
Interest	1	1	1	
Total Receipts	<u>190,001</u>	<u>190,371</u>	<u>183,047</u>	<u>(7,324)</u>
DISBURSEMENTS				
Protection to Persons and Property	212,968	219,557	199,478	20,079
Administration	44,964	54,380	52,157	2,223
Total Disbursements	<u>257,932</u>	<u>273,937</u>	<u>251,635</u>	<u>22,302</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(67,931)</u>	<u>(83,566)</u>	<u>(68,588)</u>	<u>14,978</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	67,931	67,931	61,423	(6,508)
Total Other Adjustments to Cash (Uses)	<u>67,931</u>	<u>67,931</u>	<u>61,423</u>	<u>(6,508)</u>
Net Change in Fund Balance		(15,635)	(7,165)	8,470
Fund Balance - Beginning		<u>15,635</u>	<u>15,635</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 8,470</u>	<u>\$ 8,470</u>

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

HOMELAND SECURITY FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$	\$ 51,511	\$ 51,512	\$ 1
Total Receipts		51,511	51,512	1
DISBURSEMENTS				
Protection to Persons and Property		41,099	12,800	28,299
Total Disbursements		41,099	12,800	28,299
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		10,412	38,712	28,300
Other Adjustments to Cash (Uses)				
Transfers From Other Funds		12,600	12,600	
Transfers To Other Funds		(26,749)	(55,049)	(28,300)
Total Other Adjustments to Cash (Uses)		(14,149)	(42,449)	(28,300)
Net Change in Fund Balance		(3,737)	(3,737)	
Fund Balance - Beginning (Restated)		3,737	3,737	
Fund Balance - Ending	\$	0	\$ 0	\$ 0

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

EASTER EGG HUNT/CARLISLE FESTIVAL FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Charges for Services	\$	\$ 2,873	\$ 2,873	\$
Miscellaneous		1,990	1,990	
Total Receipts		4,863	4,863	
DISBURSEMENTS				
Recreation and Culture		9,133	6,951	2,182
Total Disbursements		9,133	6,951	2,182
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		(4,270)	(2,088)	2,182
Net Change in Fund Balance		(4,270)	(2,088)	2,182
Fund Balance - Beginning		4,270	4,271	1
Fund Balance - Ending	\$ 0	\$ 0	\$ 2,183	\$ 2,183

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

HAZARD MITIGATION FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$	\$ 8,288	\$ 8,288	\$
Total Receipts		8,288	8,288	
DISBURSEMENTS				
Administration		14,367	12,244	2,123
Total Disbursements		14,367	12,244	2,123
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		(6,079)	(3,956)	2,123
Net Change in Fund Balance		(6,079)	(3,956)	2,123
Fund Balance - Beginning		6,079	6,079	
Fund Balance - Ending	\$	0	\$ 2,123	\$ 2,123

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

	COMMUNITY BUILDING FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$ 65,949	\$ 67,431	\$ 28,519	\$ (38,912)
Interest	1	2	3	1
Total Receipts	<u>65,950</u>	<u>67,433</u>	<u>28,522</u>	<u>(38,911)</u>
DISBURSEMENTS				
General Government	44,850	56,187	41,862	14,325
Debt Service	19,910	19,910	19,910	
Administration	1,190	17,610	995	16,615
Total Disbursements	<u>65,950</u>	<u>93,707</u>	<u>62,767</u>	<u>30,940</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		<u>(26,274)</u>	<u>(34,245)</u>	<u>(7,971)</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds		<u>14,150</u>	<u>42,449</u>	<u>28,299</u>
Total Other Adjustments to Cash (Uses)		<u>14,150</u>	<u>42,449</u>	<u>28,299</u>
Net Change in Fund Balance		(12,124)	8,204	20,328
Fund Balance - Beginning (Restated)		<u>8,587</u>	<u>8,587</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (3,537)</u>	<u>\$ 16,791</u>	<u>\$ 20,328</u>

CARLISLE 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 Appropriations

General fund social services and recreation and culture exceeded budgeted appropriations by \$3,077 and \$1,157 respectively. Ambulance fund debt service exceeded budgeted appropriations by \$42,959.

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CARLISLE COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2019

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CARLISLE 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
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Land and Land Improvements	\$ 438,698	\$	\$	\$ 438,698
Buildings	14,151,831			14,151,831
Vehicles	2,432,825	107,712	37,358	2,503,179
Infrastructure	3,990,072	149,856		4,139,928
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Capital Assets	<u>\$ 21,013,426</u>	<u>\$ 257,568</u>	<u>\$ 37,358</u>	<u>\$ 21,233,636</u>

CARLISLE 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 and Land Improvements	\$ 100,000	10-60
Buildings and Building Improvements	\$ 100,000	10-75
Equipment	\$ 100,000	3-5
Vehicles	\$ 100,000	3-5
Infrastructure	\$ 100,000	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 Greg Terry, Carlisle County Judge/Executive
Members of the Carlisle 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 Carlisle County Fiscal Court for the fiscal year ended June 30, 2019, and the related notes to the financial statement which collectively comprise the Carlisle County Fiscal Court's financial statement and have issued our report thereon dated March 18, 2020.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2019-001, 2019-002, and 2019-003 to be material weaknesses.



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

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Carlisle County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Responses as items 2019-002 and 2019-004.

Views of Responsible Official and Planned Corrective Action

Carlisle 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 18, 2020

**CARLISLE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2019

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**CARLISLE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2019

FINANCIAL STATEMENT FINDINGS:

2019-001 The Carlisle County Fiscal Court Did Not Approve Cash Transfers Prior To Making Them

Throughout fiscal year 2019, cash transfers were made prior to being approved by the fiscal court. The transfers were typically approved by the fiscal court a few days after they had cleared the bank. According to the county treasurer, cash transfers often occur before being approved due to the timing of receipt and disbursement transactions and the timing of fiscal court meetings. Rather than estimate the amounts that will need to be transferred, and subsequently transferring more funds than necessary, the county treasurer waits to present transfers to the fiscal court until the exact amount needing to be transferred between funds is known. Because cash transfers occurred before being approved by the fiscal court, the county's funds were at an increased risk of being misappropriated.

Strong internal controls dictate that the fiscal court oversee the movement of funds in order to decrease the risk of misappropriation. It is also the responsibility of the fiscal court to make financial decisions, such as transferring cash between funds.

We recommend that all cash transfers be presented to, and approved by, the Carlisle County Fiscal Court before the transactions occur.

County Judge/Executive's Response: On January 14, 2020, the county treasurer explained to Fiscal Court that the transfer process was unknowingly incorrect. After discussion with the State Auditors, the Fiscal Court agreed that all transfers needed to be approved by Fiscal Court before the transfer takes place. The only reason transfers were taking place before approval in court was for payroll purposes and in preparation for bills to be paid after Fiscal Court approval.

2019-002 The Carlisle County Fiscal Court Failed To Comply With Bidding Requirements

The county did not advertise for bids for the purchase of a backhoe for \$107,712. Instead, the county obtained three quotes from various dealers. The county also entered into a service contract for ambulance services without first advertising for bids. Additionally, the county purchased a two way radio from a company that uses a state contract distributor; however the county did not maintain the agreements to accompany this purchase. When purchasing the backhoe, the county misunderstood that the item needed to be advertised for bids and believed that obtaining quotes would be sufficient. The county was not aware that the agreements should be maintained for the radio purchase. As for the ambulance service contract, there is a disagreement as to whether or not the ambulance service is considered a professional service in the context of the bid requirements.

Because the county failed to follow proper bidding requirements for items purchased, the county is not in compliance with KRS 424.260. Also, by not advertising for bids, the county was at risk of not receiving the best price for the items acquired. KRS 424.260(1) states, "[e]xcept where a statute specifically fixes a larger sum as the minimum for a requirement of advertisement for bids, no city, county, or district, or board or commission of a city or county, or sheriff or county clerk, may make a contract, lease, or other agreement for materials, supplies except perishable meat, fish, and vegetables, equipment, or for contractual services other than professional, involving an expenditure of more than twenty thousand dollars (\$20,000) without first making newspaper advertisement for bids." Furthermore, KRS 424.260(2) states, "[i]f the fiscal court requires that the sheriff or county clerk advertise for bids on expenditures of less than twenty thousand dollars (\$20,000), the fiscal court requirement shall prevail." The county administrative code states any purchase greater than \$10,000 shall be advertised for bid.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2019-002 The Carlisle County Fiscal Court Failed To Comply With Bidding Requirements (Continued)

Also, strong internal controls dictate that procedures be implemented to ensure that all purchases above the threshold are advertised for bids and that sufficient documentation be maintained to support state contract price purchases.

We recommend that the Carlisle County Fiscal Court comply with KRS 424.260, as well as its own administrative code, by properly following bidding requirements for all expenditures above \$10,000. We further recommend the fiscal court implement internal control procedures to ensure that the county is in compliance with bidding requirements and all supporting documentation is maintained.

County Judge/Executive's Response: In previous years, the bidding threshold was \$10,000.00 and when the state increased the threshold to \$30,000.00, we, as Fiscal Court, thought this threshold was changed in our Administrative Code. In the midst of this audit, it was made aware that we did not change the threshold. On 12/03/2019, the Fiscal Court approved to change the threshold to \$30,000.00 so that we would be compliant with the State. With new office administration, additional research has been done and the staff is more aware of how the bidding process works, therefore we are better prepared for this action.

In response to the Ambulance services not being bid out annually, the county believes this service is a professional service due to our requirements for the director's position and our level 3 licensing. The Kentucky Board of Emergency Services requires an advanced life support level personnel on every shift. Due to the lack of ALS providers in our area, we require our director to hold that certification to ensure that we are able to always meet that requirement, which deems this service a professional service. Even though our County Attorney is of the opinion that this bid falls under the personal service contract, and/or, sole source exceptions, the Fiscal court did let the latest (FY 19/20) contract out for bid.

2019-003 The Carlisle County Fiscal Court Lacks Internal Controls Over The Ambulance Service Contract

The Carlisle County Fiscal Court lacks internal controls over transactions associated with the ambulance service contract. In fiscal year 2019, the Carlisle County Fiscal Court had a service contract with a vendor to serve as the ambulance director and to provide ambulance runs and billing services for the county. The verbiage of the contract is vague, and supporting documentation does not provide sufficient evidence that the contract was being adhered to.

According to the contract, the county was to pay the vendor a flat fee for acting as the ambulance director, and the vendor was also to be paid forty dollars per EMT per ambulance run and/or guaranteed runs. The county paid \$57,869 for ambulance runs made by EMT's without clear support to determine the number of EMT's on each run. While the contract did not specify amounts to be paid for paramedics, nevertheless, the county paid \$124,273 for ambulance runs made by paramedics. The county also paid \$2,340 for backup runs even though backup runs are not defined in the contract.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2019-003 The Carlisle County Fiscal Court Lacks Internal Controls Over The Ambulance Service Contract
(Continued)

While there was review of the ambulance service invoices, the invoices did not breakdown the number of runs being charged for each EMT and paramedic. Those invoices did provide the total number of runs and the names of the EMT's and paramedics whose services were being billed to the county, but they did not include the individual number of runs and number of EMT's on each run in order for the county to ensure they are only paying the amounts owed per the contract. Furthermore, ambulance service billings paid by the county included charges for an individual who was paid a lump sum rather than by the number of runs as specified in the ambulance contract. The county could have verified the names of the EMT's and paramedics agreed with the Computer Aided Dispatch System (CAD) records to ensure that those specific individuals actually made ambulance runs for which the county was being charged, but did not.

Additionally, the county did not have internal control procedures in place to verify payments of ambulance runs from insurance and individuals. No one reconciled the ambulance runs with amounts that were billed to patients. Neither were ambulance receipts verified against ambulance service billings.

Rather than verify amounts being charged to the county for ambulance services were correct, the county relied on its trust in the ambulance director/vendor.

Because the Carlisle County Fiscal Court did not implement internal controls over the transactions associated with the ambulance service contract, there is an increased risk of misappropriation of public funds.

Strong internal controls dictate that oversight be provided over transactions associated with the ambulance service contract to ensure that amounts charged are valid obligations of the county.

We recommend the Carlisle County Fiscal Court strengthen internal controls over the ambulance service contract to determine that the contract is being followed. The fiscal court should review the contract and determine if any clarifications and revisions are necessary to ensure the fiscal court is only paying for what they have agreed to under the contract. The fiscal court should ensure that the number of ambulance runs and number of EMT's/paramedics being charged is accurate. We further recommend the fiscal court verify that the names of the EMTs and paramedics shown on the invoices agree with the CAD system as an internal control to determine if those individuals actually conducted ambulance runs during the period. We also recommend the fiscal court verify that ambulance runs being charged to the county are subsequently billed to the patients. The fiscal court should also implement controls to determine that all amounts billed for ambulance runs are paid to the fiscal court.

County Judge/Executive's Response: At our next meeting, Carlisle County Fiscal Court will be discussing the revision of the Ambulance contract, making necessary changes, such as amount paid per guaranteed run, back up runs and paramedic pay. The Fiscal Court will also strengthen internal controls when it comes to reviewing contract labor invoices and statements that are submitted by the Ambulance service. It is recommended by the auditors to review the CAD system, but we disagree with this recommendation due to the fact that they are paid on "guaranteed runs", not actual runs. The invoices and statements that are received for contract laborers will be checked with a monthly schedule that is provided by the ambulance director. We agree that this process will be successful in determining the personnel that is guaranteed compensation for that shift. We are also going to be working with the director to track backup runs that cannot be projected due to the uncertainty of a need.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2019-004 Failure To Account For Some Receipts And Disbursements Resulted In Overspent Line-Items

The Carlisle County Fiscal Court excluded some transactions from its budget process which resulted in the failure to report all receipts and disbursements of the county, as well as, an overspent budget of some line-items. The county failed to account for receipts and disbursements associated with the food bank, library and museum, and veterans' memorial accounts. Additionally, the fiscal court failed to account for receipts and disbursements associated with debt service payments for the ambulance building.

For several years, the county has maintained bank accounts for and as part of the county's involvement with the food bank, library and museum, and veterans' memorial. According to the county treasurer, the county was unaware that these accounts should have been included in the general fund. Therefore, they have never been included in the budget process, and thus, the receipts and disbursements of these accounts have never been reported on the county's financial statements.

The receipts and disbursements associated with debt service payments for the ambulance building were not included in the budget process nor subsequently reported on the county's financial statements because the debt service payments were paid by the extension office. Since these payments were made by a third party, the county was not aware that these transactions should be reported as activity of the ambulance fund.

Because the fiscal court failed to account for the aforementioned receipts and disbursements, audit adjustments were necessary. As a result of these adjustments, some line-items of the approved budget were overspent. Thus, the fiscal court is not in compliance with KRS 68.240 nor KRS 68.300.

KRS 68.240(1) states, "[t]he county judge/executive shall annually prepare a proposed budget for the expenditure of all funds, including those from state and federal sources, which are to be expended by the fiscal court in the next fiscal year... [i]n addition to preparing a reasonable estimate of the funds actually needed for both general and special purposes, the county judge/executive shall prepare an estimated statement of receipts to be anticipated from local, state and federal sources."

KRS 68.300 states "[a]ny appropriation made or claim allowed by the fiscal court in excess of any budget fund, and any warrant or contract not within budget appropriation, shall be void."

We recommend the Carlisle County Fiscal Court account for receipts and disbursements of the food bank, library and museum, and veterans' memorial accounts by including them in the budget of the general fund and reporting them on the financial statement. Likewise, we recommend the fiscal court include all receipts and disbursements from local sources, such as debt service payments from the extension office, in the county's budgeting and reporting process as well. We further recommend the fiscal court amend its budget for fiscal year 2020 to include such transactions as necessary.

County Judge/Executive's Response: The bank accounts for Food Bank, Library and Museum and Veterans Memorial will be amended into our budget for FY 19/20.

The receipts and disbursements associated with debt service payments for the Ambulance building was completed 07/01/2019. Due to the timeline of this particular finding for the 17/18 audit, it could not be corrected until FY 19/20, in which it was.