

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

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



**MIKE HARMON  
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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 Logan Chick, Logan County Judge/Executive  
Members of the Logan 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 Logan County Fiscal Court, for the year ended June 30, 2020, and the related notes to the financial statement which collectively comprise the Logan 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  
The Honorable Andy Beshear, Governor  
Holly M. Johnson, Secretary  
Finance and Administration Cabinet  
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Members of the Logan County Fiscal Court

### **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 Logan 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 Logan County Fiscal Court as of June 30, 2020, or changes in financial position or cash flows thereof for the year then ended.

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

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

### **Other Matters**

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of the Logan 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.

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

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

To the People of Kentucky  
The Honorable Andy Beshear, Governor  
Holly M. Johnson, Secretary  
Finance and Administration Cabinet  
The Honorable Logan Chick, Logan County Judge/Executive  
Members of the Logan County Fiscal Court

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2021, on our consideration of the Logan 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 Logan 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 finding:

2020-001 The Logan County Fiscal Court Does Not Have Adequate Internal Controls Over Their Bid Process

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a long horizontal line extending to the right.

Mike Harmon  
Auditor of Public Accounts

April 28, 2021

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

Logan Chick	County Judge/Executive
Tyler Davenport	Magistrate
Jack Crossley	Magistrate
Barry Joe Wright	Magistrate
Robert Chyle	Magistrate
Jason Harper	Magistrate
Thomas Bouldin	Magistrate

**Other Elected Officials:**

Joe Ross	County Attorney
Phil Gregory	Jailer
Scottie Harper	County Clerk
Mary Orange	Circuit Court Clerk
Stephen Stratton	Sheriff
Brooke Brown Waldrup	Property Valuation Administrator
Mary Givens	Coroner

**Appointed Personnel:**

Amanda Stratton	County Treasurer
Karen Taylor	Financial Officer



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

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

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

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

	<b>Budgeted Funds</b>		
	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>
<b>RECEIPTS</b>			
Taxes	\$ 2,410,234	\$	\$
In Lieu Tax Payments	263,668		
Licenses and Permits	27,474		
Intergovernmental	2,219,190	2,046,167	1,509,363
Charges for Services			38,919
Miscellaneous	197,460	3,925	29,957
Interest	2,874	2,090	328
Total Receipts	<u>5,120,900</u>	<u>2,052,182</u>	<u>1,578,567</u>
<b>DISBURSEMENTS</b>			
General Government	4,355,017	332	
Protection to Persons and Property	810,389		2,101,775
General Health and Sanitation	300		
Social Services	862		
Recreation and Culture	67,636		
Roads		1,631,352	
Airports			
Debt Service			
Capital Projects		136,421	
Administration	684,816	236,187	544,187
Total Disbursements	<u>5,919,020</u>	<u>2,004,292</u>	<u>2,645,962</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(798,120)</u>	<u>47,890</u>	<u>(1,067,395)</u>
<b>Other Adjustments to Cash (Uses)</b>			
Transfers From Other Funds	625,000		1,395,738
Transfers To Other Funds			(321,506)
Total Other Adjustments to Cash (Uses)	<u>625,000</u>		<u>1,074,232</u>
Net Change in Fund Balance	(173,120)	47,890	6,837
Fund Balance - Beginning (Restated)	1,106,943	449,922	119,562
Fund Balance - Ending	<u>\$ 933,823</u>	<u>\$ 497,812</u>	<u>\$ 126,399</u>
<b>Composition of Fund Balance</b>			
Bank Balance	\$ 946,596	\$ 497,920	\$ 126,437
Plus: Deposits In Transit			
Less: Outstanding Checks	(12,773)	(108)	(38)
Investments			
Fund Balance - Ending	<u>\$ 933,823</u>	<u>\$ 497,812</u>	<u>\$ 126,399</u>

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

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

<b>Budgeted Funds</b>					
<b>Local Government Economic Assistance Fund</b>	<b>Solid Waste Fund</b>	<b>Occupational Tax Fund</b>	<b>Lifeskills Fund</b>	<b>911 Fund</b>	<b>Special Reserve Fund</b>
\$	\$	\$ 3,859,159	\$	\$ 347,507	\$
	85,309				
167,329	49,043			102,675	
302					
100	4,468			37	
319	1,643	13,031	385	175	60,235
<u>168,050</u>	<u>140,463</u>	<u>3,872,190</u>	<u>385</u>	<u>450,394</u>	<u>60,235</u>
184,637		123,356			
				641,571	
104,691	208,132				
31,100					
89,168					
30,387					
1,253	38,395	24,843		198,204	
<u>441,236</u>	<u>246,527</u>	<u>148,199</u>		<u>839,775</u>	
(273,186)	(106,064)	3,723,991	385	(389,381)	60,235
335,000				395,000	
		(2,750,738)			
<u>335,000</u>		<u>(2,750,738)</u>		<u>395,000</u>	
61,814	(106,064)	973,253	385	5,619	60,235
62,716	717,852	4,934,151	152,994	63,104	4,116,995
<u>\$ 124,530</u>	<u>\$ 611,788</u>	<u>\$ 5,907,404</u>	<u>\$ 153,379</u>	<u>\$ 68,723</u>	<u>\$ 4,177,230</u>
\$ 124,530	\$ 612,381	\$ 5,907,859	\$ 153,379	\$ 68,928	\$ 4,177,230
	(593)	(455)		(205)	
<u>\$ 124,530</u>	<u>\$ 611,788</u>	<u>\$ 5,907,404</u>	<u>\$ 153,379</u>	<u>\$ 68,723</u>	<u>\$ 4,177,230</u>

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

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

	<b>Unbudgeted Funds</b>			<b>Total Funds</b>
	<b>Public Properties Corporation Detention Center Fund</b>	<b>Public Properties Corporation Justice Center Fund</b>	<b>Jail Commissary Fund</b>	
<b>RECEIPTS</b>				
Taxes	\$	\$	\$	\$ 6,616,900
In Lieu Tax Payments				263,668
Licenses and Permits				112,783
Intergovernmental	9,753	1,034,640		7,138,160
Charges for Services				39,221
Miscellaneous			324,332	560,279
Interest				81,080
Total Receipts	<u>9,753</u>	<u>1,034,640</u>	<u>324,332</u>	<u>14,812,091</u>
<b>DISBURSEMENTS</b>				
General Government				4,663,342
Protection to Persons and Property				3,553,735
General Health and Sanitation				313,123
Social Services				31,962
Recreation and Culture			388,697	545,501
Roads				1,631,352
Airports				30,387
Debt Service	330,769	1,030,800		1,361,569
Capital Projects				136,421
Administration		5,078		1,732,963
Total Disbursements	<u>330,769</u>	<u>1,035,878</u>	<u>388,697</u>	<u>14,000,355</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(321,016)</u>	<u>(1,238)</u>	<u>(64,365)</u>	<u>811,736</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	321,506			3,072,244
Transfers To Other Funds				(3,072,244)
Total Other Adjustments to Cash (Uses)	<u>321,506</u>			
Net Change in Fund Balance	490	(1,238)	(64,365)	811,736
Fund Balance - Beginning (Restated)	341,773	5,094	425,989	12,497,095
Fund Balance - Ending	<u>\$ 342,263</u>	<u>\$ 3,856</u>	<u>\$ 361,624</u>	<u>\$ 13,308,831</u>
<b>Composition of Fund Balance</b>				
Bank Balance	\$ 41,351	\$ 3,856	\$ 364,757	\$ 13,025,224
Plus: Deposits In Transit			420	420
Less: Outstanding Checks			(3,553)	(17,725)
Investments	300,912			300,912
Fund Balance - Ending	<u>\$ 342,263</u>	<u>\$ 3,856</u>	<u>\$ 361,624</u>	<u>\$ 13,308,831</u>

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

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**LOGAN COUNTY  
NOTES TO FINANCIAL STATEMENT**

**June 30, 2020**

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

**A. Reporting Entity**

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

The Logan County Tourist and Convention Commission would have been included in the reporting entity under accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. However, under the regulatory basis, they are no longer are required components of the reporting entity. Audits of the following entities can be obtained from the Logan County Fiscal Court: 200 West Fourth Street, Russellville, KY 42276.

**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.

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

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

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

**Budgeted Funds (Continued)**

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

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

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

Solid Waste Fund - The primary purpose of this fund is to account for solid waste management receipts and related disbursements. The primary source of receipts for this fund is the off-site waste management fees.

Occupational Tax Fund - The primary purpose of this fund is to account for occupational and net profit taxes. The primary sources of receipts for this fund are taxes collected for occupational license fees and net profit tax. These receipts are transferred to other funds as needed.

Lifeskills Fund - The primary purpose of this fund is to account for the proceeds of specific revenue sources and related disbursements that are legally restricted for specific purposes. These funds were received as a repayment of a revolving loan connected to a federal grant. Under the grant agreement, these funds must be used for community or economic development activities.

911 Fund - The primary purpose of this fund is to account for the dispatch expenses of the county. The primary source of receipts for this fund is the 911 telephone surcharge.

Special Reserve Fund - The primary purpose of this fund is to account for special revenue sources and related disbursements. The primary source of receipts for this fund is interest earned.

**Unbudgeted Funds**

The fiscal court reports the following unbudgeted funds:

Public Properties Corporation Detention Center Fund - The primary purpose of this fund is to account for debt service requirements of the revenue refunding bonds issued to advance refund revenue bonds that funded the construction of the detention center. The Department of Local Government does not require the fiscal court to budget these funds.

Public Properties Corporation Justice Center Fund - The primary purpose of this fund is to account for debt service requirements of the revenue refunding bonds issued to advance refund revenue bonds that funded the construction of the justice center. The Department of Local Government does not require the fiscal court to budget these funds.

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

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

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

**Unbudgeted Funds (Continued)**

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

**D. Budgetary Information**

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

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

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

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

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

**E. Logan County Elected Officials**

Kentucky law provides for election of the officials listed below from the geographic area constituting Logan 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 Logan County Fiscal Court.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff



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

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

**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.

**H. Related Organizations, Joint Ventures, and Jointly Governed Organizations**

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on this criteria, the following are considered related organizations of the Logan County Fiscal Court:

- East Logan Water District
- North Logan Water District
- South Logan Water District
- Logan County Search and Rescue Squad

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based on this criteria, the following are considered joint ventures of the Logan County Fiscal Court:

- Industrial Development
- Airport

Regional governments or other multi-governmental arrangements that are governed by representative from each of the governments that created the organizations but are not joint ventures because the participants do not retain an ongoing financial interest or responsibility. Based on this criteria, the following is considered a jointly governed organization of the Logan County Fiscal Court:

- Planning and Zoning

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

**Note 2. Deposits and Investments**

**A. Deposits**

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

**Custodial Credit Risk - Deposits**

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

**B. Investments**

As of June 30, 2020, the fiscal court had the following investments and maturities:

Type	Cost Basis	Maturities (In Years)	
		Less Than 1	1-5
U.S. Treasury Mutual Funds	\$ 41,351	\$ 41,351	\$
Certificates of Deposit Investments:			
U.S. Government and U.S. Agencies Bonds	300,912		300,912
Total Investments	300,912		300,912
Total Fund Balance	\$ 342,263	\$ 41,351	\$ 300,912

**Custodial Credit Risk** is the risk that, in the event of failure of the counterparty, the fiscal court will not be able to recover the value of its certificates of deposit, investments, or collateral securities that are in the possession of an outside party. The fiscal court's investment policy requires counterparties to provide sufficient collateral or other insurance if any investments or deposits exceed the insurance provided by Federal Deposit Insurance Corporation (FDIC) or the Securities Investor Protection Corporation (SIPC). All certificates of deposit and investments must be held by the counterparty in the fiscal court's name. The fiscal court has \$300,912 of investments in securities held by the counterparties' trust departments in the fiscal court's name. The SIPC provides up to \$500,000 coverage for securities and cash (limit of \$250,000 for cash) per client and the counterparties maintain additional insurance coverage for loss of securities and cash above the coverage provided by FDIC and SIPC.

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

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

**B. Investments (Continued)**

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

- 1) Obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, if delivery of these obligations subject to repurchase agreements is taken either directly or through an authorized custodian. These investments may be accomplished through repurchase agreements reached with sources including but not limited to national or state banks chartered in Kentucky;
- 2) Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States government agency, including but not limited to:
  - a. United States Treasury;
  - b. Export-Import Bank of the United States;
  - c. Farmers Home Administration;
  - d. Government National Mortgage Corporation; and
  - e. Merchant Marine bonds;
- 3) Obligations of any corporation of the United States government, including but not limited to:
  - a. Federal Home Loan Mortgage Corporation;
  - b. Federal Farm Credit Banks;
  - c. Bank for Cooperatives;
  - d. Federal Intermediate Credit Banks;
  - e. Federal Land Banks;
  - f. Federal Home Loan Banks;
  - g. Federal National Mortgage Association; and
  - h. Tennessee Valley Authority;
- 4) Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution having a physical presence in Kentucky which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations, including surety bonds, permitted by KRS 41.240(4);
- 5) Uncollateralized certificates of deposit issued by any bank or savings and loan institution having a physical presence in Kentucky rated in one of the three highest categories by a competent rating agency;
- 6) Bankers' acceptances for banks rated in one of the three highest categories by a competent rating agency;
- 7) Commercial paper rated in the highest category by a competent rating agency;
- 8) Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities;
- 9) Securities issued by a state or local government, or any instrumentality of agency thereof, in the United States, and rated in one of the three highest categories by a competent rating agency;
- 10) Shares of mutual funds and exchange traded funds, each of which shall have the following characteristics:
  - a. The mutual funds shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended.
  - b. The management company of the investment company shall have been in operation for at least five years; and
  - c. All of the securities in the mutual fund shall be eligible investments pursuant to this section;

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

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

**B. Investments (Continued)**

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

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

**Foreign Currency Risk** is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The fiscal court's policy historically has been to invest only in securities in U.S. denominations.

**Note 3. Transfers**

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

	Occupational Tax Fund	Jail Fund	Total Transfers In
General Fund	\$ 625,000	\$	\$ 625,000
Jail Fund	1,395,738		1,395,738
LGEA Fund	335,000		335,000
911 Fund	395,000		395,000
Public Properties Corporation Detention Center Fund		321,506	321,506
Total Transfers Out	<u>\$ 2,750,738</u>	<u>\$ 321,506</u>	<u>\$ 3,072,244</u>

Reason for transfers:

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

**Note 4. Custodial Funds**

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

The fiscal court has the following custodial funds:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2020, was \$2,559. This balance is included in the jail commissary fund balance of \$361,624.

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

**Note 4. Custodial Funds (Continued)**

South Central Kentucky Drug Task Force Seizure Fund - The South Central Kentucky Drug Task Force deposited cash evidence into custodial bank account. These funds are held until a resolution in the form of a court order is received. The funds are then remitted in accordance with the court order. The account had a beginning balance of \$38,892 with receipts of \$86,493 and \$26,164 of disbursements for fiscal year ended June 30, 2020. The account balance was \$99,221 as of June 30, 2020.

**Note 5. Long Term Debt**

**A. Other Debt**

**1. First Mortgage Revenue Bonds (Justice Center Project), Series 2008**

On March 1, 2008, the Logan County Public Properties Corporation issued First Mortgage Revenue Bonds (Justice Center Project), Series 2008, to provide funding for the construction of the Logan County Judicial Center. The total bond issue was in the amount of \$14,775,000, with interest rates varying between 2.50% and 4.25%. Interest is payable on February 1 and August 1 of each year. Principal is payable annually on February 1. The Logan County Fiscal Court entered into a lease agreement with Kentucky Administrative Office of the Courts in order to provide funding to meet annual debt service requirements. On March 1, 2016, the Logan County Public Properties Corporation issued First Mortgage Refunding Revenue Bonds (Justice Center Project), Series 2016, to advance refund \$7,175,000 of this principal balance.

Upon the happening and continuance of any event of default to protect and enforce its rights and the rights of the owners of the bonds by such of the following remedies, as the trustee, being advised by counsel, will deem most effectual to protect and enforce such rights:

By enforcement of the foreclosable mortgage lien on the project site and improvements granted by the mortgage, and in such event the trustee will take over possession, custody and control of the project site and will operate or carry out decretal sale of same with due regard to state and federal law and the covenants contained in the lease for the benefit of the owners of the bonds. Provided, however, that no such foreclosure sale will result in a deficiency judgment of any type or in any amount against AOC, the county or the corporation, and until such sale the county may at any time by the discharge of the bonds and interest and any premium thereon receive an unencumbered fee simple title to the mortgaged facilities; provided that in the event of any such enforcement of said lien by the trustee, there will first be paid all expenses incident to said document, and thereafter the bonds then outstanding will be paid and retired.

By declaring all bonds due and payable, and if all defaults will be made good, then, with the written consent of the owners of not less than twenty-five percent (25%) in a principal amount of the outstanding bonds, by annulling such declaration and its consequences.

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

**2. First Mortgage Revenue Refunding Bonds (Detention Facilities Project), Series 2010**

On March 4, 2010, the Logan County Public Properties Corporation issued First Mortgage Revenue Refunding Bonds (Detention Facilities Project), Series 2010, to refund the First Mortgage Revenue Bonds (Detention Facility Project), Series 1998. The total bond issue was in the amount of \$3,835,000, with interest rates varying between 2% and 4%. Interest is payable on March 1 and September 1 of each year. Principal is payable annually on September 1.

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

**Note 5. Long Term Debt (Continued)**

**A. Other Debt (Continued)**

**2. First Mortgage Revenue Refunding Bonds (Detention Facilities Project), Series 2010 (Continued)**

Upon the happening and continuance of any event of default to protect and enforce its rights and the rights of the owners of the bonds by such of the following remedies, as the trustee, being advised by counsel, will deem most effectual to protect and enforce such rights.

By enforcement of the foreclosable mortgage lien on the project site and improvements granted by the mortgage, and in such event the trustee will take over possession, custody and control of the project site and will operate or carry out decretal sale of same with due regard to state and federal law and the covenants contained in the lease for the benefit of the owners of the bonds. Provided, however, that no such foreclosure sale will result in a deficiency judgment of any type or in any amount against AOC, the county or the corporation, and until such sale the county may at any time by the discharge of the bonds and interest and any premium thereon receive an unencumbered fee simple title to the mortgaged facilities; provided that in the event of any such enforcement of said lien by the trustee, there will first be paid all expenses incident to said document, and thereafter the bonds then outstanding will be paid and retired.

By declaring all bonds due and payable, and if all defaults will be made good, then, with the written consent of the owners of not less than twenty-five percent (50%) in a principal amount of the outstanding bonds, by annulling such declaration and its consequences.

Total principal balance outstanding as of June 30, 2020, was \$1,520,000. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 280,000	\$ 55,200
2022	290,000	43,800
2023	305,000	31,900
2024	315,000	19,500
2025	330,000	6,600
Totals	<u>\$ 1,520,000</u>	<u>\$ 157,000</u>

**3. First Mortgage Revenue Refunding Bonds (Justice Center Project), Series 2016**

On March 9, 2016, the Logan County Public Properties Corporation issued First Mortgage Revenue Refunding Bonds (Justice Center Project), Series 2016, to refund the First Mortgage Revenue Bonds (Justice Center Project), Series 2008. The total bond issue was in the amount of \$7,595,000, with interest rates varying between 3.5% and 4%. Interest is payable on March 1 and September 1 of each year. Principal is payable annually on February 1 beginning February 1, 2020.

Upon the happening and continuance of any event of default to protect and enforce its rights and the rights of the owners of the bonds by such of the following remedies, as the trustee, being advised by counsel, will deem most effectual to protect and enforce such rights.

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

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

**A. Other Debt (Continued)**

**3. First Mortgage Revenue Refunding Bonds (Justice Center Project), Series 2016 (Continued)**

By enforcement of the foreclosable mortgage lien on the project site and improvements granted by the mortgage, and in such event the trustee will take over possession, custody and control of the project site and will operate or carry out decretal sale of same with due regard to state and federal law and the covenants contained in the lease for the benefit of the owners of the bonds. Provided, however, that no such foreclosure sale will result in a deficiency judgment of any type or in any amount against AOC, the county or the corporation, and until such sale the county may at any time by the discharge of the bonds and interest and any premium thereon receive an unencumbered fee simple title to the mortgaged facilities; provided that in the event of any such enforcement of said lien by the trustee, there will first be paid all expenses incident to said document, and thereafter the bonds then outstanding will be paid and retired.

By declaring all bonds due and payable, and if all defaults will be made good, then, with the written consent of the owners of not less than twenty-five percent (25%) in a principal amount of the outstanding bonds, by annulling such declaration and its consequences.

Total principal balance outstanding as of June 30, 2020, was \$7,545,000. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 870,000	\$ 199,800
2022	885,000	182,400
2023	900,000	164,700
2024	920,000	146,700
2025	950,000	119,100
2026-2028	3,020,000	182,800
Totals	<u>\$ 7,545,000</u>	<u>\$ 995,500</u>

**B. Aggregate Debt Schedule**

Fiscal Year Ended June 30	Other Debt	
	Principal	Interest
2021	\$ 1,150,000	\$ 255,000
2022	1,175,000	226,200
2023	1,205,000	196,600
2024	1,235,000	166,200
2025	1,280,000	125,700
2026-2028	3,020,000	182,850
	<u>\$ 9,065,000</u>	<u>\$ 1,152,550</u>

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

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

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

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
First Mortgage Revenue Bonds	\$ 9,380,000	\$	\$ 315,000	\$ 9,065,000	\$ 1,150,000
First Mortgage Revenue Refunding Bonds	750,000		750,000		
Total Long-term Debt	<u>\$ 10,130,000</u>	<u>\$ 0</u>	<u>\$ 1,065,000</u>	<u>\$ 9,065,000</u>	<u>\$ 1,150,000</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 2018 was \$653,381, FY 2019 was \$786,756, and FY 2020 was \$929,103.

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.



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

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

Nonhazardous (Continued)

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

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

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

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

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

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

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

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

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

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

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

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

Other Post-Employment Benefits (OPEB)

C. Cost of Living Adjustments - Tier 1

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

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

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

E. Death Benefit

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

KRS Annual Financial Report and Proportionate Share Audit Report

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

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

**Note 7. Deferred Compensation**

The Logan 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.

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

**Note 7. 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 8. Health Reimbursement Account/Flexible Spending Account**

The Logan County Fiscal Court has established a flexible spending account on April 23, 2019, to provide employees an additional health benefit. The county has contracted with a third-party administrator to administer the plan. The plan provides \$2,000 each year to an HRA for employees who choose employee only plans and \$4,000 each year to an HRA for employees with spouse, child, or family plans. The fiscal court contributes \$200 per month or \$2,400 each year to an FSA for employees who choose to waive health insurance. Employees may also contribute additional pre-tax funds through payroll deduction.

**Note 9. Insurance**

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

**Note 10. Related Party Transactions**

The Logan County Attorney received office space from the fiscal court for his role as county attorney. This space is also shared with his private practice, he paid \$11,000 for rent to the fiscal court for fiscal year June 30, 2020.

**Note 11. Conduit Debt**

From time to time, the county has issued bonds to provide financial assistance for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest, in accordance with KRS 103.210. This debt may take the form of certain types of limited-obligation revenue bonds, certificates of participation, or similar debt instruments. Although conduit debt obligations bear the Logan County Fiscal Court's name as issuer, the fiscal court has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf it is issued. Neither the fiscal court nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statement. As of June 30, 2020, conduit debt has been issued but the amount currently outstanding is not reasonably determinable.

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

**Note 12. Tax Abatements**

The occupational tax was abated under the authority of the Logan County Fiscal Court. Champion Petfoods USA, Inc. is eligible to receive this tax abatement due as a result of its commitment to creating and/or retaining jobs in Logan County. The taxes are abated by granting of a credit in an amount up to 0.33 percent of the county's occupational license fee. Champion Petfoods USA, Inc. made the commitment to create and/or retain jobs by building a new pet food processing, warehousing, and distribution facility. The performance term of the tax abatement is 10 years from the activation of the incentive program. For fiscal year ended June 30, 2020, the Logan County Fiscal Court abated \$31,649.

The occupational tax was abated under the authority of the Logan County Fiscal Court. Ventra Plastics is eligible to receive this tax abatement due as a result of its commitment to locate and create jobs and investments regarding an expansion in Logan County. The taxes are abated by granting of a credit of 0.27 percent of the county's occupational license fee for respective salaries and wages for any position created or any new hire resulting directly from the company's planned expansion. Ventra Plastics made the commitment to locate and create jobs and investments regarding an expansion. The performance term of the tax abatement is 10 years from the activation of the incentive program. Ventra Plastics has not activated this incentive program as of June 30, 2020. For fiscal year ended June 30, 2020, the Logan County Fiscal Court abated zero occupational taxes.

The occupational tax was abated under the authority of the Logan County Fiscal Court. Logan Aluminum Inc. is eligible to receive this tax abatement due as a result of its commitment to creating and/or retaining jobs in Logan County. The taxes are abated by granting of a credit of 0.75 percent of the county's occupational license fee. Logan Aluminum Inc. made the commitment regarding an expansion which involves a substantial investment in property and equipment and creating new jobs. The performance term of the tax abatement is 10 years from the activation of the incentive program. Logan Aluminum Inc. has not activated this incentive program as of June 30, 2020. For fiscal year ended June 30, 2020, the Logan County Fiscal Court abated zero occupational taxes.

The occupational tax was abated under the authority of the Logan County Fiscal Court. Emerson Electric Co. is eligible to receive this tax abatement due as a result of its commitment to creating and/or retaining jobs in Logan County. The taxes are abated by granting of a credit of 0.27 percent of the county's occupational license fee. Emerson Electric Co. made the commitment regarding an expansion which involves a substantial investment in property and equipment and creating new jobs. The performance term of the tax abatement is 10 years from the activation of the incentive program. Emerson Electric Co. has not activated this incentive program as of June 30, 2020. For fiscal year ended June 30, 2020, the Logan County Fiscal Court abated zero occupational taxes.

**Note 13. South Central Kentucky Drug Task Force**

**A. Awards Account**

Under terms stipulated by the United States Department of Justice and the Commonwealth of Kentucky, the South Central Kentucky Drug Task Force office receives proceeds awarded by the court orders involved in drug related convictions. These funds are to be used for law enforcement activities. As of July 1, 2019, the balance was \$689. During fiscal year 2020, funds of \$27,746 were received and funds of \$28,381 were expended, leaving a balance of \$54 as of June 30, 2020.

**B. Evidence Account**

The South Central Kentucky Drug Task Force office uses the evidence account to fund drug related under cover activities. As of July 1, 2019, the balance was \$1,002. During fiscal year 2020, funds of \$7,075 were received and funds of \$8,000 were expended, leaving a balance of \$77 as of June 30, 2020.

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

**Note 14. Prior Period Adjustments**

Financial Statement beginning balances were restated as follows:

	<u>General Fund</u>
Ending Cash Balances Prior Year	\$ 982,013
South Central Kentucky Drug Task Force	
- Account Omitted in Prior Year	124,910
Prior Year Voided Checks	<u>20</u>
Beginning Fund Balance Restated	<u>\$ 1,106,943</u>

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

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

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

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

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 2,162,250	\$ 2,162,250	\$ 2,410,234	\$ 247,984
In Lieu Tax Payments	226,000	226,000	263,668	37,668
Licenses and Permits	21,992	21,992	27,474	5,482
Intergovernmental	1,975,079	1,979,597	2,219,190	239,593
Miscellaneous	95,750	95,750	197,460	101,710
Interest	1,115	1,115	2,874	1,759
Total Receipts	<u>4,482,186</u>	<u>4,486,704</u>	<u>5,120,900</u>	<u>634,196</u>
<b>DISBURSEMENTS</b>				
General Government	4,942,327	5,227,109	4,355,017	872,092
Protection to Persons and Property	727,101	773,879	810,389	(36,510)
General Health and Sanitation	300	300	300	
Social Services	1,000	1,000	862	138
Recreation and Culture	83,000	83,000	67,636	15,364
Capital Projects	96,995	96,995	96,995	96,995
Administration	891,194	891,193	684,816	206,377
Total Disbursements	<u>6,741,917</u>	<u>7,073,476</u>	<u>5,919,020</u>	<u>1,154,456</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(2,259,731)</u>	<u>(2,586,772)</u>	<u>(798,120)</u>	<u>1,788,652</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	1,459,731	1,459,731	625,000	(834,731)
Total Other Adjustments to Cash (Uses)	<u>1,459,731</u>	<u>1,459,731</u>	<u>625,000</u>	<u>(834,731)</u>
Net Change in Fund Balance	(800,000)	(1,127,041)	(173,120)	953,921
Fund Balance - Beginning (Restated)	<u>800,000</u>	<u>800,000</u>	<u>1,106,943</u>	<u>306,943</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (327,041)</u>	<u>\$ 933,823</u>	<u>\$ 1,260,864</u>

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

	<b>ROAD FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 2,042,207	\$ 2,042,207	\$ 2,046,167	\$ 3,960
Miscellaneous	1,200	1,200	3,925	2,725
Interest	905	905	2,090	1,185
Total Receipts	<u>2,044,312</u>	<u>2,044,312</u>	<u>2,052,182</u>	<u>7,870</u>
<b>DISBURSEMENTS</b>				
General Government	500	500	332	168
Roads	2,962,907	2,962,740	1,631,352	1,331,388
Capital Projects	148,274	148,274	136,421	11,853
Administration	317,814	317,981	236,187	81,794
Total Disbursements	<u>3,429,495</u>	<u>3,429,495</u>	<u>2,004,292</u>	<u>1,425,203</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,385,183)</u>	<u>(1,385,183)</u>	<u>47,890</u>	<u>1,433,073</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	935,255	935,255		(935,255)
Total Other Adjustments to Cash (Uses)	<u>935,255</u>	<u>935,255</u>		<u>(935,255)</u>
Net Change in Fund Balance	(449,928)	(449,928)	47,890	497,818
Fund Balance - Beginning	<u>449,928</u>	<u>449,928</u>	<u>449,922</u>	<u>(6)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 497,812</u>	<u>\$ 497,812</u>

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

	<b>JAIL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 1,597,239	\$ 1,597,239	\$ 1,509,363	\$ (87,876)
Charges for Services	47,600	47,600	38,919	(8,681)
Miscellaneous	34,300	34,300	29,957	(4,343)
Interest	171	171	328	157
Total Receipts	<u>1,679,310</u>	<u>1,679,310</u>	<u>1,578,567</u>	<u>(100,743)</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	2,359,509	2,359,184	2,101,775	257,409
Debt Service	321,507			
Administration	795,313	795,638	544,187	251,451
Total Disbursements	<u>3,476,329</u>	<u>3,154,822</u>	<u>2,645,962</u>	<u>508,860</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,797,019)</u>	<u>(1,475,512)</u>	<u>(1,067,395)</u>	<u>408,117</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	1,677,019	1,677,019	1,395,738	(281,281)
Transfers To Other Funds		(321,507)	(321,506)	1
Total Other Adjustments to Cash (Uses)	<u>1,677,019</u>	<u>1,355,512</u>	<u>1,074,232</u>	<u>(281,280)</u>
Net Change in Fund Balance	(120,000)	(120,000)	6,837	126,837
Fund Balance - Beginning	<u>120,000</u>	<u>120,000</u>	<u>119,562</u>	<u>(438)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 126,399</u>	<u>\$ 126,399</u>

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

	<b>LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 86,000	\$ 86,000	\$ 167,329	\$ 81,329
Charges for Services	400	400	302	(98)
Miscellaneous			100	100
Interest	105	105	319	214
Total Receipts	<u>86,505</u>	<u>86,505</u>	<u>168,050</u>	<u>81,545</u>
<b>DISBURSEMENTS</b>				
General Government	196,500	196,500	184,637	11,863
General Health and Sanitation	108,500	108,500	104,691	3,809
Social Services	40,500	52,500	31,100	21,400
Recreation and Culture	106,566	110,066	89,168	20,898
Roads	56,990	56,990		56,990
Airports	30,400	30,400	30,387	13
Administration	1,536	1,536	1,253	283
Total Disbursements	<u>540,992</u>	<u>556,492</u>	<u>441,236</u>	<u>115,256</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(454,487)</u>	<u>(469,987)</u>	<u>(273,186)</u>	<u>196,801</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	391,712	391,712	335,000	(56,712)
Total Other Adjustments to Cash (Uses)	<u>391,712</u>	<u>391,712</u>	<u>335,000</u>	<u>(56,712)</u>
Net Change in Fund Balance	(62,775)	(78,275)	61,814	140,089
Fund Balance - Beginning	<u>62,775</u>	<u>62,775</u>	<u>62,716</u>	<u>(59)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (15,500)</u>	<u>\$ 124,530</u>	<u>\$ 140,030</u>

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

	<b>SOLID WASTE FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Licenses and Permits	\$ 40,000	\$ 40,000	\$ 85,309	\$ 45,309
Intergovernmental	47,130	47,130	49,043	1,913
Miscellaneous	10,100	10,100	4,468	(5,632)
Interest	705	705	1,643	938
Total Receipts	<u>97,935</u>	<u>97,935</u>	<u>140,463</u>	<u>42,528</u>
<b>DISBURSEMENTS</b>				
General Health and Sanitation	280,004	283,074	208,132	74,942
Administration	316,931	313,861	38,395	275,466
Total Disbursements	<u>596,935</u>	<u>596,935</u>	<u>246,527</u>	<u>350,408</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(499,000)</u>	<u>(499,000)</u>	<u>(106,064)</u>	<u>392,936</u>
Net Change in Fund Balance	(499,000)	(499,000)	(106,064)	392,936
Fund Balance - Beginning	<u>499,000</u>	<u>499,000</u>	<u>717,852</u>	<u>218,852</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 611,788</u>	<u>\$ 611,788</u>

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

	<b>OCCUPATIONAL TAX FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 2,955,000	\$ 2,955,000	\$ 3,859,159	\$ 904,159
Interest	3,627	3,627	13,031	9,404
Total Receipts	<u>2,958,627</u>	<u>2,958,627</u>	<u>3,872,190</u>	<u>913,563</u>
<b>DISBURSEMENTS</b>				
General Government	284,347	284,347	123,356	160,991
Administration	755,232	412,691	24,843	387,848
Total Disbursements	<u>1,039,579</u>	<u>697,038</u>	<u>148,199</u>	<u>548,839</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>1,919,048</u>	<u>2,261,589</u>	<u>3,723,991</u>	<u>1,462,402</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds	<u>(5,719,048)</u>	<u>(5,719,048)</u>	<u>(2,750,738)</u>	<u>2,968,310</u>
Total Other Adjustments to Cash (Uses)	<u>(5,719,048)</u>	<u>(5,719,048)</u>	<u>(2,750,738)</u>	<u>2,968,310</u>
Net Change in Fund Balance	(3,800,000)	(3,457,459)	973,253	4,430,712
Fund Balance - Beginning	<u>3,800,000</u>	<u>3,800,000</u>	<u>4,934,151</u>	<u>1,134,151</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 342,541</u>	<u>\$ 5,907,404</u>	<u>\$ 5,564,863</u>

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

	<b>LIFESKILLS FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Interest	\$ 152	\$ 152	\$ 385	\$ 233
Total Receipts	<u>152</u>	<u>152</u>	<u>385</u>	<u>233</u>
<b>DISBURSEMENTS</b>				
General Government	153,146	153,146		153,146
Total Disbursements	<u>153,146</u>	<u>153,146</u>		<u>153,146</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(152,994)</u>	<u>(152,994)</u>	<u>385</u>	<u>153,379</u>
Net Change in Fund Balance	(152,994)	(152,994)	385	153,379
Fund Balance - Beginning	<u>152,994</u>	<u>152,994</u>	<u>152,994</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 153,379</u>	<u>\$ 153,379</u>

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

	<b>911 FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 346,000	\$ 346,000	\$ 347,507	\$ 1,507
Intergovernmental		134,387	102,675	(31,712)
Miscellaneous	100	100	37	(63)
Interest	52	52	175	123
Total Receipts	<u>346,152</u>	<u>480,539</u>	<u>450,394</u>	<u>(30,145)</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property Administration	952,481	1,086,868	641,571	445,297
	<u>297,002</u>	<u>297,002</u>	<u>198,204</u>	<u>98,798</u>
Total Disbursements	<u>1,249,483</u>	<u>1,383,870</u>	<u>839,775</u>	<u>544,095</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(903,331)</u>	<u>(903,331)</u>	<u>(389,381)</u>	<u>513,950</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	855,331	855,331	395,000	(460,331)
Total Other Adjustments to Cash (Uses)	<u>855,331</u>	<u>855,331</u>	<u>395,000</u>	<u>(460,331)</u>
Net Change in Fund Balance	(48,000)	(48,000)	5,619	53,619
Fund Balance - Beginning	<u>48,000</u>	<u>48,000</u>	<u>63,104</u>	<u>15,104</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 68,723</u>	<u>\$ 68,723</u>



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

	<b>SPECIAL RESERVE FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Interest	\$ 56,559	\$ 56,559	\$ 60,235	\$ 3,676
Total Receipts	<u>56,559</u>	<u>56,559</u>	<u>60,235</u>	<u>3,676</u>
<b>DISBURSEMENTS</b>				
Administration	4,573,375	4,573,375		4,573,375
Total Disbursements	<u>4,573,375</u>	<u>4,573,375</u>		<u>4,573,375</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(4,516,816)</u>	<u>(4,516,816)</u>	60,235	<u>4,577,051</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	400,000	400,000		(400,000)
Total Other Adjustments to Cash (Uses)	<u>400,000</u>	<u>400,000</u>		<u>(400,000)</u>
Net Change in Fund Balance	(4,116,816)	(4,116,816)	60,235	4,177,051
Fund Balance - Beginning	<u>4,116,816</u>	<u>4,116,816</u>	<u>4,116,995</u>	<u>179</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,177,230</u>	<u>\$ 4,177,230</u>

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

**June 30, 2020**

**Note 1. Budgetary Information**

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

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

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

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

General fund, protection to persons and property line item, exceeded budgeted appropriations by \$36,510.

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

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

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

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

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 2,376,428	\$	\$	\$ 2,376,428
Construction In Progress		7,500		7,500
Buildings and Building Improvements	21,022,741	33,628		21,056,369
Equipment	3,908,740	576,442	252,849	4,232,333
Vehicles	1,915,116	136,762	24,304	2,027,574
Infrastructure	16,386,549	823,655		17,210,204
 Total Capital Assets	 <u>\$ 45,609,574</u>	 <u>\$ 1,577,987</u>	 <u>\$ 277,153</u>	 <u>\$ 46,910,408</u>

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

**June 30, 2020**

**Note 1. Capital Assets**

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

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 25,000	10-60
Buildings and Building Improvements	\$ 50,000	10-75
Equipment	\$ 5,000	3-25
Vehicles	\$ 5,000	3-25
Infrastructure	\$ 25,000	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 Logan Chick, Logan County Judge/Executive  
Members of the Logan 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 Logan County Fiscal Court for the fiscal year ended June 30, 2020, and the related notes to the financial statement which collectively comprise the Logan County Fiscal Court's financial statement and have issued our report thereon dated April 28, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statement, we considered the Logan County Fiscal Court's internal control over financial reporting (internal control) as a basis for designing 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 Logan County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Logan 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.

*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 2020-001 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)

**Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the Logan 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 financial statement. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Logan County's views and planned corrective action for the finding identified in our audit are included in the accompanying Schedule of Findings and Responses. The county's response was not subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we express no opinion on it.

**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

April 28, 2021

**LOGAN COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES**

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

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**LOGAN COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES**

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

INTERNAL CONTROL - MATERIAL WEAKNESS:

2020-001 The Logan County Fiscal Court Does Not Have Adequate Internal Controls Over Their Bid Process

This is a repeat finding and was included in the prior year audit report as finding 2019-001. In fiscal year 2020, the Logan County Fiscal Court had internal control deficiencies over the bid process. The following findings were noted in regards to Logan County Fiscal Court's bids:

- The Logan County Fiscal Court failed to re-bid for the jail food service provider for fiscal year 2020. The fiscal court initially bid and entered into a renewable contract with the food service provider on June 1, 2016. The bid advertisement published by the fiscal court did not include the period of time for which the contract would be made.
- On April 9, 2019, the Logan County Fiscal Court voted to approve a resolution that Logan County accept all annual bids for petroleum products for fiscal year 2019-2020, with the exception of one vendor. On the same date, the Logan County Fiscal Court also voted to approve a resolution that the county accept all annual bids for passenger and industrial tires for the fiscal year 2019-2020, and that members of Logan County government shall purchase tires from the best source depending on the cost and availability of the product.
- The bid accepted for asphalt had a clause for fluctuations in petroleum-based products, allowing the vendor the right to adjust the proposal price (+ or -) at the time of installation to reflect changes in petroleum-based products using the Kentucky Average Price Index (KAPI) as published by the Kentucky Transportation Cabinet. An employee at the road department calls the vendor at the beginning of each month to get the new price for asphalt, but he does not verify that this information agrees to the KAPI.

The judge/executive told the finance officer that according to the county attorney it was not necessary to re-bid the food service provider, since there is an auto-renew clause in the contract. Additionally, there is a lack of knowledge and internal controls over bidding procedures and bid laws. Since bidding procedures were not followed, it is possible that the county did not get the lowest rate for a jail food service provider or be billed the correct amount for petroleum based products. This also puts the county at higher risk for potential fraudulent purchases.

Strong internal controls require management to monitor disbursements and purchase orders to ensure compliance with bid laws. Good internal controls would also include requiring the documentation of agreement of bid elements included on invoices, such as the of KAPI amounts, to sources referenced in the original bid document. The fiscal court's administrative code states "After analyzing each bid with the assistance of the particular Department Head or other expert, the Judge Executive creates a written recommendation as to the best bid by a responsible bidder.", which indicated a single bid and bidder be awarded. Additionally, OAG 74-420 states, "It had been noted that the advertisement requirement and the bidding process itself involves three important benefits: (a) an offering to the public, (b) an opportunity for competition and (c) a basis for exact comparison of bids." OAG 94-20 also notes that a bid advertisement under KRS 424.260 must reasonably state the expected quantity of items purchased, either by stating the quantity to be purchase, the period of time over which a continuing procurement will be made, or some other reasonable basis.

We recommend fiscal court implement internal controls to monitor all procurements in order to ensure that all required elements of bidding procedures are followed. The fiscal court should also ensure that bid prices and other elements included in approved bids, agree to the invoices submitted by vendors.

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

INTERNAL CONTROL - MATERIAL WEAKNESS: (Continued)

2020-001 The Logan County Fiscal Court Does Not Have Adequate Internal Controls Over Their Bid Process  
(Continued)

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*County Judge/Executive's Response:*

- *Logan County Fiscal Court will address and correct the bid process for contracts to be for each fiscal year or a specific period of time.*
- *Logan County Fiscal Court will award bids to only one bidder or reject all bids.*
- *Logan County Fiscal Court will develop bid specifications that will allow all car manufactures to bid.*
- *Logan County Fiscal Court diligently works to ensure that itemized invoices are received and will make sure bid invoices are specific.*
- *Logan County Fiscal Court will check the KAPI before agreeing to the price on asphalt before it is applied and will ensure that copies of the KAPI documents are attached to all invoices.*

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

**LOGAN COUNTY FISCAL COURT**

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

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CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAM

COUNTY FISCAL COURT

For The Year Ended June 30, 2020

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



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County Judge/Executive



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County Treasurer