

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

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



**MIKE HARMON  
AUDITOR OF PUBLIC ACCOUNTS  
[www.auditor.ky.gov](http://www.auditor.ky.gov)**

**209 ST. CLAIR STREET  
FRANKFORT, KY 40601-1817  
TELEPHONE (502) 564-5841  
FACSIMILE (502) 564-2912**



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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 Mitchell Page, Monroe County Judge/Executive  
Members of the Monroe 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 Monroe County Fiscal Court, for the year ended June 30, 2020, and the related notes to the financial statement which collectively comprise the Monroe 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 Monroe 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 Monroe 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 Monroe 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 Monroe 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  
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The Honorable Mitchell Page, Monroe County Judge/Executive  
Members of the Monroe County Fiscal Court

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2021, on our consideration of the Monroe 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 Monroe County Fiscal Court's internal control over financial reporting and compliance.

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

- 2020-001 The Monroe County Fiscal Court Did Not Accurately Report Financial Information
- 2020-002 The Monroe County Fiscal Court Did Not Obtain Appraisal On Property Purchased

Respectfully submitted,



Mike Harmon  
Auditor of Public Accounts

February 25, 2021

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

Mitchell Page	County Judge/Executive
Jamie Veach	Magistrate
Roger Deckard	Magistrate
Ricky Bartley	Magistrate
Mark Williams	Magistrate
Ricky Graves	Magistrate

**Other Elected Officials:**

Wesley Stephens	County Attorney
Elmer Doyle Fox	Jailer
Teresa Sheffield	County Clerk
Kimberly Hagan	Circuit Court Clerk
Roger Dale Ford	Sheriff
Louis L. Carter (July 1, 2019 through December 31, 2019)	Property Valuation Administrator
Martha Tapley (January 1, 2020 through February 23, 2020)	Property Valuation Administrator
Shawn Guffey (February 24, 2020 through June 30, 2020)	Property Valuation Administrator
Maxey Gentry	Coroner

**Appointed Personnel:**

Brittany Wilborn	County Treasurer
Lori Emmert	Finance Officer
Brittany Wilborn	Occupational Tax Administrator



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

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

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

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

	<b>Budgeted Funds</b>			
	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Local Government Economic Assistance Fund</b>
<b>RECEIPTS</b>				
Taxes	\$ 1,762,158	\$	\$	\$
In Lieu Tax Payments	61,105			
Excess Fees	84,863			
Licenses and Permits	18,315			
Intergovernmental	393,465	2,168,450	85,966	58,484
Miscellaneous	40,499	26,656	4,964	
Interest	9,697	5,533	149	364
Total Receipts	<u>2,370,102</u>	<u>2,200,639</u>	<u>91,079</u>	<u>58,848</u>
<b>DISBURSEMENTS</b>				
General Government	953,081			3,500
Protection to Persons and Property	123,370		384,556	44,020
General Health and Sanitation	61,296			
Social Services	19,394			
Recreation and Culture	9,864			
Roads		1,890,915		
Airports				3,000
Debt Service				
Capital Projects	430,200			
Administration	782,051	143,742	9,595	
Total Disbursements	<u>2,379,256</u>	<u>2,034,657</u>	<u>394,151</u>	<u>50,520</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(9,154)</u>	<u>165,982</u>	<u>(303,072)</u>	<u>8,328</u>
<b>Other Adjustments to Cash (Uses)</b>				
Financing Obligation Proceeds	472,850			
Transfers From Other Funds			305,000	
Transfers To Other Funds	(305,000)			
Total Other Adjustments to Cash (Uses)	<u>167,850</u>		<u>305,000</u>	
Net Change in Fund Balance	158,696	165,982	1,928	8,328
Fund Balance - Beginning (Restated)	1,964,441	634,655	9,384	77,076
Fund Balance - Ending	<u>\$ 2,123,137</u>	<u>\$ 800,637</u>	<u>\$ 11,312</u>	<u>\$ 85,404</u>
<b>Composition of Fund Balance</b>				
Bank Balance	\$ 2,139,006	\$ 806,187	\$ 11,312	\$ 85,904
Less: Outstanding Checks	(15,869)	(5,550)		(500)
Fund Balance - Ending	<u>\$ 2,123,137</u>	<u>\$ 800,637</u>	<u>\$ 11,312</u>	<u>\$ 85,404</u>

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

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

**Unbudgeted Fund**

<b>Public Properties Corporation Fund</b>	<b>Total Funds</b>
\$	\$ 1,762,158
	61,105
	84,863
	18,315
727,063	3,433,428
	72,119
2,158	17,901
<u>729,221</u>	<u>5,449,889</u>
	956,581
	551,946
	61,296
	19,394
	9,864
	1,890,915
	3,000
724,063	724,063
	430,200
	935,388
<u>724,063</u>	<u>5,582,647</u>
<u>5,158</u>	<u>(132,758)</u>
	472,850
	305,000
	<u>(305,000)</u>
	<u>472,850</u>
5,158	340,092
144,104	2,829,660
<u>\$ 149,262</u>	<u>\$ 3,169,752</u>
\$ 149,262	\$ 3,191,671
	(21,919)
<u>\$ 149,262</u>	<u>\$ 3,169,752</u>

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

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TO THE FINANCIAL STATEMENT**

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**MONROE COUNTY  
NOTES TO FINANCIAL STATEMENT**

**June 30, 2020**

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

**A. Reporting Entity**

The financial statement of Monroe County includes all budgeted and unbudgeted funds under the control of the Monroe 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 Monroe County Fire and Rescue Squad and the Monroe County Recreation, 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.

**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.

**MONROE 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 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.

**Unbudgeted Fund**

The fiscal court reports the following unbudgeted fund:

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.

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.

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

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

**E. Monroe County Elected Officials**

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

**H. Related Organizations and Joint Ventures**

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 Monroe County Fiscal Court:

Monroe County Ambulance District  
Monroe County Water District  
Fountain Run Water District  
Monroe County Industrial Development Board

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

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

**H. Related Organizations and Joint Ventures (Continued)**

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 is considered a joint venture of the Monroe County Fiscal Court:

Monroe County/Tompkinsville Airport Board

**Note 2. Deposits**

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

**Note 3. Transfers**

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

	<u>General Fund</u>	<u>Total Transfers In</u>
Jail Fund	\$ 305,000	\$ 305,000
Total Transfers Out	<u>\$ 305,000</u>	<u>\$ 305,000</u>

Reason for transfers:

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



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

**Note 4. Short-term Debt**

**A. Direct Borrowings and Direct Placements**

**1. Financing Obligation - Property For Community Park**

On May 8, 2020, the Monroe County Fiscal Court entered into an unsecured promissory note with a local financial institution in the amount of \$430,200. The funds were used to purchase property including a house and two barns for a community park. The promissory note contains provisions that in event of default the outstanding amount becomes immediately due if the fiscal court is unable to make payment and the lender may offset the amount due from the bank accounts the fiscal court has with the lender. The interest rate was 4.25% per year. The loan has a maturity date of August 8, 2020. The promissory note was paid off August 26, 2020. See subsequent event note 9 for information about the promissory note being paid off. The outstanding principal balance as of June 30, 2020, was \$430,200. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 430,200	\$ 5,445
Totals	\$ 430,200	\$ 5,445

**B. Changes In Short-term Debt**

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	\$	\$ 430,200	\$	\$ 430,200	\$ 430,200
Total Short-term Debt	\$ 0	\$ 430,200	\$ 0	\$ 430,200	\$ 430,200

**Note 5. Long-term Debt**

**A. Direct Borrowings and Direct Placements**

**1. Financing Obligation - Road Equipment**

On March 27, 2019, the Monroe County Fiscal Court entered into an agreement with the Kentucky Association Counties Leasing Trust Program (KACoLT) in the amount of \$150,000. The funds we used to purchase a road patcher, oil tank storage, and pad for tank for the road department. Interest is paid annually at a rate of 4.05%. Principal and interest payments are due March 20th each year through fiscal year 2024. The agreement is secured by the road equipment. In the event of default, the road equipment will be repossessed by KACoLT. The outstanding principal balance as of June 30, 2020, was \$122,174. Future principal and interest requirements are:

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

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

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

**1. Financing Obligation - Road Equipment (Continued)**

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 28,921	\$ 4,948
2022	29,977	3,777
2023	31,071	2,563
2024	32,205	1,304
Totals	<u>\$ 122,174</u>	<u>\$ 12,592</u>

**2. Financing Obligation - Sheriff Vehicles**

On July 30, 2019, the Monroe County Fiscal Court entered into a promissory note with a local financial institution in the amount of \$42,650. The funds were paid directly to the Monroe County Sheriff to be used to purchase three vehicles for the sheriff's office. The principal was \$42,650 at an interest rate of 5.25% for a period of three years, principal and interest payable yearly. The final installment is due on July 22, 2022. The note is secured by the three vehicles. The promissory note contains provisions that in event of default the outstanding amount becomes immediately due if the fiscal court is unable to make payment and the lender may offset the amount due from the bank accounts the fiscal court has with the lender or repossess the vehicles. The outstanding principal balance as of June 30, 2020, was \$42,650. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 13,494	\$ 2,242
2022	14,206	1,529
2023	14,950	785
Totals	<u>\$ 42,650</u>	<u>\$ 4,556</u>

**B. Other Debt**

**1. First Mortgage Revenue Bonds, Series 2009**

On December 1, 2009, the Monroe County Public Properties Corporation issued revenue bonds of \$10,005,000 to pay off the 2008 series notes, which were originally issued for the purpose of constructing a judicial center, and to further the construction of the judicial center. On November 17, 2016, the corporation issued first mortgage refunding revenue bonds, series 2016, which defeased a portion of the series 2009 bonds. The non-refunded principal is payable annually on November 1, with final payment being due November 1, 2022. Interest is payable semi-annually on May 1 and November 1 of each year at varying rates from 4% to 4.25%. A mortgage has been issued secured by the judicial center.

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

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

**B. Other Debt (Continued)**

**1. First Mortgage Revenue Bonds, Series 2009 (Continued)**

In the event of default, the judicial center will be repossessed by the financial institution. The corporation has entered into an agreement to lease the Monroe County Judicial Center to the Administrative Office of the Courts, Commonwealth of Kentucky, for the amount of the bond payments. The bonds outstanding at June 30, 2020, totaled \$1,070,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 525,000	\$ 32,300
2022	545,000	10,900
Totals	<u>\$ 1,070,000</u>	<u>\$ 43,200</u>

**2. First Mortgage Refunding Revenue Bonds, Series 2016**

On November 17, 2016, the Monroe County Public Properties Corporation issued \$4,760,000 of first mortgage refunding revenue bonds to advance refund a portion of the series 2009 bonds, which were originally issued for the construction of the judicial center. Principal payments are due annually on November 1, with final payment being due November 1, 2028. Interest is payable semi-annually on May 1 and November 1 of each year at interest rate of 3%. Bonds maturing on or after November 1, 2027, are subject to redemption, in whole or in part, by the corporation prior to their state maturities, at any time on or after November 1, 2026, upon payment of 100% of the principal amount to redeemed plus accrued interest to the date of redemption. The mortgage has been secured by the judicial center. In the event of default, the judicial center will be repossessed by the financial institution. The corporation has entered into an agreement to lease the Monroe County Judicial Center to the Administrative Office of the Courts, Commonwealth of Kentucky, for the amount of the bond payments. The bonds outstanding at June 30, 2020, totaled \$4,735,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 40,000	\$ 141,450
2022	40,000	140,250
2023	605,000	130,575
2024	625,000	112,125
2025	645,000	93,075
2026-2029	<u>2,780,000</u>	<u>169,800</u>
Totals	<u>\$ 4,735,000</u>	<u>\$ 787,275</u>

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

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

**C. Aggregate Debt Schedule**

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

Fiscal Year Ended June 30	Direct Borrowings and Direct Placements		Other Debt	
	Principal	Interest	Principal	Interest
2021	\$ 42,415	\$ 7,190	\$ 565,000	\$ 173,750
2022	44,183	5,306	585,000	151,150
2023	46,021	3,348	605,000	130,575
2024	32,205	1,304	625,000	112,125
2025			645,000	93,075
2026-2029			2,780,000	169,800
Total Long-term Debt	<u>\$ 164,824</u>	<u>\$ 17,148</u>	<u>\$ 5,805,000</u>	<u>\$ 830,475</u>

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

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	\$ 150,000	\$ 42,650	\$ 27,826	\$ 164,824	\$ 42,415
Revenue Bonds	6,335,000		530,000	5,805,000	565,000
Total Long-term Debt	<u>\$ 6,485,000</u>	<u>\$ 42,650</u>	<u>\$ 557,826</u>	<u>\$ 5,969,824</u>	<u>\$ 607,415</u>

**Note 6. Contingencies**

The county is involved in multiple lawsuits. While individually they may not be significant, in the aggregate they could negatively impact the county's financial position. Due to the uncertainty of the litigation, a reasonable estimate of the financial impact on the county cannot be made at this time.

**Note 7. 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.

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

**Note 7. Employee Retirement System (Continued)**

The county's contribution for FY 2018 was \$171,725, FY 2018 was \$196,464, and FY 2020 was \$245,372.

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

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

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

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

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

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

<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%

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

**Note 7. Employee Retirement System (Continued)**

Other Post-Employment Benefits (OPEB) (Continued)

A. Health Insurance Coverage - Tier 1 (Continued)

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

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.

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

**Note 7. Employee Retirement System (Continued)**

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 8. Insurance**

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

**Note 9. Subsequent Event**

On August 20, 2020, the Monroe County Fiscal Court entered into a general obligation lease with the Kentucky Association Counties Leasing Trust Program (KACoLT) in the amount of \$425,000 with \$5,000 premium. The funds of \$430,000 were used on August 26, 2020, to make payment on a short term unsecured promissory note with a local financial institution that was used to purchase property for a community park. See short term debt note 4 for information on the promissory note. Interest is paid annually at a rate of 1.71%. Principal and interest payments are due December 20th and June 20th each year until December 20, 2036. The agreement is secured by the property on Columbia Avenue. In the event of default, the property will be repossessed by KACoLT.

**Note 10. Prior Period Adjustment**

	<u>Road Fund</u>
Fund Balance - Beginning	\$ 634,585
Adjusted to Balance per Bank	<u>70</u>
Fund Balance - Beginning (Restated)	<u>\$ 634,655</u>

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

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

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

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

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 1,473,600	\$ 1,473,600	\$ 1,762,158	\$ 288,558
In Lieu Tax Payments	55,000	55,000	61,105	6,105
Excess Fees	50,000	50,000	84,863	34,863
Licenses and Permits	17,530	17,530	18,315	785
Intergovernmental	304,070	382,046	393,465	11,419
Miscellaneous	15,000	15,000	40,499	25,499
Interest	3,000	3,000	9,697	6,697
Total Receipts	<u>1,918,200</u>	<u>1,996,176</u>	<u>2,370,102</u>	<u>373,926</u>
<b>DISBURSEMENTS</b>				
General Government	815,196	999,551	953,081	46,470
Protection to Persons and Property	101,690	130,805	123,370	7,435
General Health and Sanitation	42,900	65,705	61,296	4,409
Social Services	19,000	27,265	19,394	7,871
Recreation and Culture	12,300	12,300	9,864	2,436
Capital Projects			430,200	(430,200)
Administration	828,580	812,016	782,051	29,965
Total Disbursements	<u>1,819,666</u>	<u>2,047,642</u>	<u>2,379,256</u>	<u>(331,614)</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>98,534</u>	<u>(51,466)</u>	<u>(9,154)</u>	<u>42,312</u>
<b>Other Adjustments to Cash (Uses)</b>				
Financing Obligation Proceeds			472,850	472,850
Transfers To Other Funds	<u>(552,200)</u>	<u>(552,200)</u>	<u>(305,000)</u>	<u>247,200</u>
Total Other Adjustments to Cash (Uses)	<u>(552,200)</u>	<u>(552,200)</u>	<u>167,850</u>	<u>720,050</u>
Net Change in Fund Balance	(453,666)	(603,666)	158,696	762,362
Fund Balance - Beginning	<u>453,666</u>	<u>603,666</u>	<u>1,964,441</u>	<u>1,360,775</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,123,137</u>	<u>\$ 2,123,137</u>

**MONROE 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	\$ 1,414,270	\$ 1,414,270	\$ 2,168,450	\$ 754,180
Miscellaneous	26,000	26,000	26,656	656
Interest	1,000	1,000	5,533	4,533
Total Receipts	<u>1,441,270</u>	<u>1,441,270</u>	<u>2,200,639</u>	<u>759,369</u>
<b>DISBURSEMENTS</b>				
Roads	1,278,470	1,907,470	1,890,915	16,555
Administration	162,800	156,800	143,742	13,058
Total Disbursements	<u>1,441,270</u>	<u>2,064,270</u>	<u>2,034,657</u>	<u>29,613</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		<u>(623,000)</u>	<u>165,982</u>	<u>788,982</u>
Net Change in Fund Balance		(623,000)	165,982	788,982
Fund Balance - Beginning (Restated)		<u>623,000</u>	<u>634,655</u>	<u>11,655</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 800,637</u>	<u>\$ 800,637</u>

**MONROE 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	\$ 81,500	\$ 81,500	\$ 85,966	\$ 4,466
Miscellaneous			4,964	4,964
Interest			149	149
Total Receipts	<u>81,500</u>	<u>81,500</u>	<u>91,079</u>	<u>9,579</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	609,500	609,295	384,556	224,739
Administration	24,200	24,405	9,595	14,810
Total Disbursements	<u>633,700</u>	<u>633,700</u>	<u>394,151</u>	<u>239,549</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(552,200)</u>	<u>(552,200)</u>	<u>(303,072)</u>	<u>249,128</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	<u>552,200</u>	<u>552,200</u>	<u>305,000</u>	<u>(247,200)</u>
Total Other Adjustments to Cash (Uses)	<u>552,200</u>	<u>552,200</u>	<u>305,000</u>	<u>(247,200)</u>
Net Change in Fund Balance			1,928	1,928
Fund Balance - Beginning			<u>9,384</u>	<u>9,384</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 11,312</u>	<u>\$ 11,312</u>

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

**LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 32,000	\$ 32,000	\$ 58,484	\$ 26,484
Interest			364	364
Total Receipts	<u>32,000</u>	<u>32,000</u>	<u>58,848</u>	<u>26,848</u>
<b>DISBURSEMENTS</b>				
General Government	10,000	9,979	3,500	6,479
Protection to Persons and Property	44,000	44,021	44,020	1
Airports	3,000	3,000	3,000	
Total Disbursements	<u>57,000</u>	<u>57,000</u>	<u>50,520</u>	<u>6,480</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(25,000)</u>	<u>(25,000)</u>	<u>8,328</u>	<u>33,328</u>
Net Change in Fund Balance	(25,000)	(25,000)	8,328	33,328
Fund Balance - Beginning	<u>25,000</u>	<u>25,000</u>	<u>77,076</u>	<u>52,076</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 85,404</u>	<u>\$ 85,404</u>

**MONROE 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, capital projects line item, exceeded budgeted appropriations by \$430,200 because the fiscal court did not budget \$430,200 in loan proceeds paid directly by a local financial institution on behalf of the fiscal court to sellers of property purchased by the fiscal court.

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

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

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**MONROE 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	\$ 516,900	\$ 346,000	\$	\$ 862,900
Construction In Progress	1,063,535		1,063,535	
Building and Building Improvements	11,973,082	1,147,535		13,120,617
Equipment	998,436	139,314		1,137,750
Vehicles	432,689	185,075		617,764
Infrastructure	12,599,361	1,133,582		13,732,943
 Total Capital Assets	 <u>\$ 27,584,003</u>	 <u>\$ 2,951,506</u>	 <u>\$ 1,063,535</u>	 <u>\$ 29,471,974</u>

**MONROE 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	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Equipment	\$ 2,500	3-25
Vehicles	\$ 2,500	3-25
Infrastructure	\$ 20,000	10-50

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

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

The Honorable Mitchell Page, Monroe County Judge/Executive  
Members of the Monroe 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 Monroe County Fiscal Court for the fiscal year ended June 30, 2020, and the related notes to the financial statement which collectively comprise the Monroe County Fiscal Court's financial statement and have issued our report thereon dated February 25, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statement, we considered the Monroe 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 Monroe County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Monroe 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 Monroe County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2020-001 and 2020-002.

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

Monroe 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

February 25, 2021



**MONROE COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES**

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

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**MONROE COUNTY**  
**SCHEDULE OF FINDINGS AND RESPONSES**

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

FINANCIAL STATEMENT FINDINGS:

2020-001 The Monroe County Fiscal Court Did Not Accurately Report Financial Information

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This is a repeat finding and was included in the prior year audit report as finding 2019-001. The following reporting errors were noted on the fourth quarter financial statement for June 30, 2020, for the Monroe County Fiscal Court:

- The former county treasurer did not properly budget or record borrowed money to the fourth quarter financial statement as receipts of \$472,850 to borrowed money and disbursements of \$42,650 to sheriff supplement under general government and \$430,200 to community park under other capital projects. These amounts were added to line items listed above in the general fund. On July 30, 2019, the fiscal court entered into a promissory note with a local financial institution in the amount of \$42,650 which was paid to the sheriff's office for the purchase of three vehicles. Additionally, on May 8, 2020, the fiscal court entered into a promissory note with a local financial institution in the amount of \$430,200 for the purchase of property on Columbia Avenue to be used for a community park.
- The former county treasurer did not include activity of bank account totaling \$27,545 held by the fiscal court in the general fund on the fourth quarter financial statement. The fiscal court is temporarily holding funds of \$27,545 for the Monroe County Industrial Development Board in a separate bank account. These funds were received from Monroe County/Tompkinsville Industrial Development when it dissolved during fiscal year 2019. This amount was added to the beginning fund balance line item of the general fund which also increased the ending fund balance of the general fund.
- The former county treasurer did not include activity of bank account totaling \$10,886 held in the fiscal court's name on the fourth quarter financial statement. The Kentucky Association of Counties has a bank account in the fiscal court's name in the amount of \$10,886. These funds are unused loan proceeds of \$10,756 on money borrowed for road equipment during fiscal year 2019 and interest earned of \$130 on these funds. These amounts were added to the beginning fund balance and interest earned line items of the road fund, \$10,756 and \$130, respectively, which also increased the ending fund balance of the road fund.
- The fourth quarter liabilities page on the fourth quarter financial statement was materially inaccurate. The former county treasurer did not reduce ending balances for the unrefunded portion of the first mortgage revenue bonds, series 2009, and first mortgage revenue refunding bonds, series 2016, by principal and interest payments made during the fiscal year.

According to the county treasurer and former interim county treasurer, the former county treasurer was not aware loan proceeds from a local bank should be recorded as borrowed money since this was the first time she had handled a loan from a bank. In addition, the former county treasurer did not realize she should include those bank accounts and forgot to reduce principal and interest payments by payments made in fiscal year 2020.

This deficiency resulted in inaccurate financial reporting to the fiscal court and Department for Local Government (DLG). Material misstatements of receipts and disbursements were noted due to errors requiring adjustments on the fourth quarter financial statement as noted above. Misstatements of the beginning fund balance and ending fund balance were also noted due to errors requiring adjustments on the fourth quarter financial statement as noted above. In addition, by not including all payments made during the year, the outstanding debt of the Monroe County Public Properties Corporation on the fourth quarter financial statement liabilities page, principal and interest were materially overstated by \$530,000 and \$194,063, respectively.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2020-001 The Monroe County Fiscal Court Did Not Accurately Report Financial Information (Continued)

Strong internal controls over the reporting process are vital in ensuring the fiscal court's financial reports accurately reflect the financial activity of the fiscal court.

KRS 68.020(4) states, in part, the county treasurer "shall keep an accurate detailed account of all money received and disbursed by him for the county, and shall keep books of accounts of the financial transactions of the county in the manner required by the uniform system of accounting prescribed by the state local finance officer."

KRS 68.280 states, "[t]he fiscal court may make provision for the expenditure of receipts unanticipated in the original budget by preparing an amendment to the budget, showing the source and amount of the unanticipated receipts and specifying the budget fund that are to be increased thereby. The amendment shall be submitted to the state local finance officer subject to the same provisions as the original budget." KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. Pursuant to KRS 68.210, the state local finance officer has prescribed minimum accounting and reporting standards in the DLG's *County Budget Preparation and State Local Finance Officer Policy Manual*. The manual requires all borrowed money received and repaid to be reflected in the county budget and be properly reflected on the financial report as a receipt as well as an "expenditure" for repayment of borrowed funds. Furthermore, all funds disbursed on the fiscal court's behalf by third parties should be recorded in receipts and appropriations ledgers. DLG's manual also requires the liabilities section of the quarter financial statement to be utilized for reporting current long-term debt.

We recommend the fiscal court implement stronger internal controls over the reporting process to ensure receipts, disbursements, and cash balances from all bank accounts along with all loan and lease activity is properly recorded to the fiscal court's ledgers and to the financial statements submitted to the Department for Local Government.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: Former County Treasurer has since been terminated. New county treasurer is being trained.*

Auditor's Reply: As recommended the fiscal court should implement strong internal controls to ensure the financial reports prepared by the treasurer accurately reflect the financial activity of the county.

2020-002 The Monroe County Fiscal Court Did Not Obtain Appraisal On Property Purchased

On May 8, 2020, the Monroe County Judge/Executive, on behalf of the Monroe County Fiscal Court, signed the deed to purchase property on Columbia Avenue which includes a house, two barns, and 50 acres for \$430,000. The property was financed with a promissory note from a local financial institution. The property was not appraised before the purchase was made. On February 24, 2020, fiscal court approved "the purchase land from individuals in the amount of \$430,000 on Columbia Avenue, this is to be financed for 15 year with KACo" and approved appointing "the County Attorney Wes Stephens to handle all negotiation and closing on the purchase of land."

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2020-002 The Monroe County Fiscal Court Did Not Obtain Appraisal On Property Purchased (Continued)

On April 30, 2020, the fiscal court voted to approve “to borrow the money to purchase land on Columbia Ave from the Edmonton State Bank due to KACO not being able to lend at the current time due to COVID-19 crisis. Once operations begin in KACO the Fiscal Court will precede with the loan with KACO and payoff the Edmonton State Bank loan.”

The county treasurer and former interim county treasurer stated the former county treasurer was not aware of the state statute requiring an appraisal before purchasing property. By failing to obtain an appraisal before purchasing property, the fiscal court cannot determine if they are paying above fair market value for the property.

KRS 67.080(1)(b) states the fiscal court may “buy land for the use of the county, when necessary, for the lawful purposes of the county as provided for in this section and KRS 67.083. The fiscal court may appoint one (1) or more commissioners to sell or buy real estate under this subsection, subject to the approval of the fiscal court, and convey it to the purchaser, under the direction of the court, or have it conveyed to the court, by deed properly executed and recorded.” Furthermore, KRS 67.080(1)(b)1. states “[w]hen real property is purchased, the county shall pay no more than the highest appraised value, as determined by a Kentucky certified real property appraiser as defined in KRS 324A.010, or the price determined through exercising the power of eminent domain, if that power is used. A valuation of the real property shall not be required if the purchase price is forty thousand dollars (\$40,000) or less....”

We recommend the fiscal court obtain appraisals before purchasing any property.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive’s Response: Former County Treasurer was unaware.*

Auditor’s Reply: The Monroe County Fiscal Court should have controls in place to ensure they follow all requirements when purchasing property.

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

**MONROE COUNTY FISCAL COURT**

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

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CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM  
MONROE COUNTY FISCAL COURT

For The Year Ended June 30, 2020

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



County Judge/Executive



County Treasurer