

**REPORT OF THE AUDIT OF THE
ROWAN 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 Harry Clark, Rowan County Judge/Executive
Members of the Rowan 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 Rowan County Fiscal Court, for the year ended June 30, 2020, and the related notes to the financial statement which collectively comprise the Rowan County Fiscal Court's financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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



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Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the Rowan 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 Rowan 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 Rowan 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 Rowan 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.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2021, on our consideration of the Rowan 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 Rowan 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 follow report finding:

2020-001 The Rowan County Jail Does Not Have Adequate Segregation Of Duties Over Jail Commissary Receipt Transactions

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

May 7, 2021

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

Harry Clark	County Judge/Executive
Ray White	Magistrate
Darrell Glover	Magistrate
Robert Hamm	Magistrate
Charlie Winkleman	Magistrate

Other Elected Officials:

Cecil Watkins	County Attorney
Wes Coldiron	Jailer
Elwood Caudill, Jr.	County Clerk
Kim Barker-Tabor	Circuit Court Clerk
Matt Sparks	Sheriff
Carmen Swim	Property Valuation Administrator
John P. Northcutt	Coroner

Appointed Personnel:

Kerry M. Jessee	County Treasurer
Mike Macklin	Occupational Tax Collector

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

For The Year Ended June 30, 2020

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

For The Year Ended June 30, 2020

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	\$ 6,861,341	\$	\$
In Lieu Tax Payments	118,345	122,645	
Excess Fees	144,048		
Licenses and Permits	114,745		
Intergovernmental	543,769	2,019,947	3,032,536
Charges for Services			158,288
Miscellaneous	82,842	2,435	114,881
Interest	12,904	1,820	821
Total Receipts	<u>7,877,994</u>	<u>2,146,847</u>	<u>3,306,526</u>
DISBURSEMENTS			
General Government	1,910,164		
Protection to Persons and Property	523,120		2,932,415
General Health and Sanitation	350,157		
Social Services	28,890		
Recreation and Culture	212,422		
Roads		2,551,704	
Airports	38,000		
Bus Services	27,000		
Debt Service	298,663		1,363,356
Capital Projects			
Administration	1,663,448	377,897	829,336
Total Disbursements	<u>5,051,864</u>	<u>2,929,601</u>	<u>5,125,107</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>2,826,130</u>	<u>(782,754)</u>	<u>(1,818,581)</u>
Other Adjustments to Cash (Uses)			
Transfers From Other Funds		1,060,000	1,724,621
Transfers To Other Funds	<u>(3,122,721)</u>		
Total Other Adjustments to Cash (Uses)	<u>(3,122,721)</u>	<u>1,060,000</u>	<u>1,724,621</u>
Net Change in Fund Balance	(296,591)	277,246	(93,960)
Fund Balance - Beginning (Restated)	<u>2,458,283</u>	<u>14,501</u>	<u>121,529</u>
Fund Balance - Ending	<u>\$ 2,161,692</u>	<u>\$ 291,747</u>	<u>\$ 27,569</u>
Composition of Fund Balance			
Bank Balance	\$ 2,213,398	\$ 350,741	\$ 54,552
Plus: Deposits In Transit	1,091		
Less: Outstanding Checks	<u>(52,797)</u>	<u>(58,994)</u>	<u>(26,983)</u>
Fund Balance - Ending	<u>\$ 2,161,692</u>	<u>\$ 291,747</u>	<u>\$ 27,569</u>

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

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

Budgeted Funds					
Local Government Economic Assistance Fund	State Grants Fund	Ambulance Fund	Forest Fire Protection Fund	Juvenile Justice Fund	Harm Reduction Grant Fund
\$	\$	\$	\$ 1,002	\$	\$
121,934	45,000	198,000			8,046
	177	1,086,474			
181		8,950			
122,115	45,177	1,293,790	1,002		8,046
		1,245,900	2,551		
	7,887			6,424	6,562
64,700		609,623			
64,700	7,887	1,855,523	2,551	6,424	6,562
57,415	37,290	(561,733)	(1,549)	(6,424)	1,484
		337,100	1,000		
		337,100	1,000		
57,415	37,290	(224,633)	(549)	(6,424)	1,484
	20,260	265,753	669	6,424	16,773
\$ 57,415	\$ 57,550	\$ 41,120	\$ 120	\$ 0	\$ 18,257
\$ 57,415	\$ 57,550	\$ 49,774	\$ 120	\$	\$ 18,257
		(8,654)			
\$ 57,415	\$ 57,550	\$ 41,120	\$ 120	\$ 0	\$ 18,257

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

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

	<u>Unbudgeted Funds</u>		
	<u>Public Properties Corporation Fund</u>	<u>Jail Commissary Fund</u>	<u>Total Funds</u>
RECEIPTS			
Taxes	\$	\$	\$ 6,862,343
In Lieu Tax Payments			240,990
Excess Fees			144,048
Licenses and Permits			114,745
Intergovernmental	828,197		6,797,429
Charges for Services			1,244,762
Miscellaneous		191,938	401,223
Interest	2,698		18,790
Total Receipts	<u>830,895</u>	<u>191,938</u>	<u>15,824,330</u>
DISBURSEMENTS			
General Government			1,910,164
Protection to Persons and Property			4,703,986
General Health and Sanitation			364,606
Social Services			35,314
Recreation and Culture		192,528	404,950
Roads			2,551,704
Airports			38,000
Bus Services			27,000
Debt Service	828,197		2,490,216
Capital Projects			64,700
Administration	3,057		3,483,361
Total Disbursements	<u>831,254</u>	<u>192,528</u>	<u>16,074,001</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(359)</u>	<u>(590)</u>	<u>(249,671)</u>
Other Adjustments to Cash (Uses)			
Transfers From Other Funds			3,122,721
Transfers To Other Funds			<u>(3,122,721)</u>
Total Other Adjustments to Cash (Uses)			
Net Change in Fund Balance	(359)	(590)	(249,671)
Fund Balance - Beginning (Restated)	<u>359</u>	<u>98,463</u>	<u>3,003,014</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 97,873</u>	<u>\$ 2,753,343</u>
Composition of Fund Balance			
Bank Balance	\$	\$ 98,661	\$ 2,900,468
Plus: Deposits In Transit			1,091
Less: Outstanding Checks		<u>(788)</u>	<u>(148,216)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 97,873</u>	<u>\$ 2,753,343</u>

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

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TO THE FINANCIAL STATEMENT**

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**ROWAN COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2020

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

B. Basis of Accounting

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

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

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

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

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

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

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

ROWAN 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)

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.

State Grants 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.

Ambulance Fund - The primary purpose of this fund is to account for the dispatch expenses of the county. The primary sources of receipts for this fund are state grants.

Forest Fire Protection Fund - The primary purpose of this fund is to account for forest fire tax proceeds and remittance to the state.

Juvenile Justice 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.

Harm Reduction Grant 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.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

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

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.

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

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information (Continued)

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

E. Rowan County Elected Officials

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

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

Note 2. Deposits

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

	General Fund	Total Transfers In
Road Fund	\$ 1,060,000	\$ 1,060,000
Jail Fund	1,724,621	1,724,621
Ambulance	337,100	337,100
Forest Fire Protection Fund	1,000	1,000
Total Transfers Out	<u>\$ 3,122,721</u>	<u>\$ 3,122,721</u>

Reason for transfers:

To move resources from the general fund, 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 statement.

The fiscal court has the following custodial fund:

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 \$74,752.

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

Note 5. Long-term Debt

A. Other Debt

1. First Mortgage Revenue Bonds - Judicial Building

On July 1, 2009, Rowan County issued \$12,080,000 of first mortgage revenue bonds for the construction of a judicial building. The bonds require the semiannual interest and principal payments be made on February 1 and August 1 of each year commencing on February 1, 2010. One principal payment will be due on August 1 of each year commencing August 1, 2011. The agreement has a variable interest rate of 2.00 to 4.25 percent. The bonds will mature August 1, 2028. As of June 30, 2020, the amount outstanding was paid in full.

2. First Mortgage Revenue Refunding Bonds - Judicial Building

On June 14, 2018, Rowan County issued \$3,610,889 of refunding bonds to defease \$3,315,000 of outstanding first mortgage revenue refunding bonds on the judicial building. The agreement has a variable interest rate of 2.00 to 4.25 percent. The bonds will mature August 1, 2028. In the event of default, the purchaser may proceed to protect and enforce its rights by the following remedies: (a) by enforcement of the foreclosable mortgage lien on the project and improvements granted by this mortgage, and in such event the purchaser shall take over possession, custody and control of the project and shall operate or carry out a decretal sale of same with due regard to state and federal law and the covenants contained in the lease; provided, however, that no such foreclosure sale shall result in a deficiency judgment of any type or in any amount against the county, the AOC or the issuer, and until such sale the county or the AOC may at any time by the discharge of the bonds and interest thereon receive unencumbered fee simple title to the mortgaged facilities; provided that in the event of any such enforcement of said lien by the purchaser, there and shall first be paid all expenses incident to said enforcement, and thereafter the bonds then outstanding shall be paid and retired; (b) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the purchaser, including the right to require the issuer to enforce fully the lease and to charge, collect and fully account for the rental payments payable thereunder and to require the issuer to carry out any and all other covenants or agreements with the purchaser and to perform its duties under the act; (c) by bringing suit upon the bonds; (d) by action or suit in equity, require the issuer to account as if it were the trustee of an express trust for the owners of the bonds; (e) by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the owners of the bonds; (f) by declaring all bonds due and payable, and if all defaults shall be made good, then by annulling such declaration and its consequences; (g) in the event that all bonds are declared due and payable, by selling permitted investments of the issuer (to the extent not theretofore set aside for redemption of bonds for which call has been made), and enforcing all courses in action of the issuer to the fullest legal extent in the name of the issuer. Furthermore, each defaulted bond shall continue to bear interest after maturity at the interest rate applicable to such respective bonds until the necessary funds are made available for payment. As of June 30, 2020, the principal amount outstanding was \$3,610,889. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 3,957	\$ 97,080
2022	44,458	96,429
2023	45,671	95,216
2024	46,916	93,971
2025	48,195	92,692
2026-2029	<u>3,421,692</u>	<u>187,237</u>
Totals	<u>\$ 3,610,889</u>	<u>\$ 662,625</u>

ROWAN 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 - Judicial Building

On June 18, 2019, Rowan County issued \$3,449,993 of refunding bonds to defease \$3,420,000 of outstanding first mortgage revenue refunding bonds on the judicial building. The agreement has a fixed interest rate of 2.27 percent. The bonds will mature August 1, 2024. As a result of this advance refunding, Rowan County obtained a net present value cash flow savings of \$161,678 over the life of the bond of which 10% is the county's portion of the savings.

In the event of default, the purchaser may proceed to protect and enforce its rights by the following remedies: (a) by enforcement of the foreclosable mortgage lien on the project and improvements granted by this mortgage, and in such event the purchaser shall take over possession, custody and control of the project and shall operate or carry out a decretal sale of same with due regard to state and federal law and the covenants contained in the lease; provided, however, that no such foreclosure sale shall result in a deficiency judgment of any type or in any amount against the county, the AOC or the issuer, and until such sale the county or the AOC may at any time by the discharge of the bonds and interest thereon receive unencumbered fee simple title to the mortgaged facilities; provided that in the event of any such enforcement of said lien by the purchaser, there and shall first be paid all expenses incident to said enforcement, and thereafter the bonds then outstanding shall be paid and retired; (b) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the purchaser, including the right to require the issuer to enforce fully the lease and to charge, collect and fully account for the rental payments payable thereunder and to require the issuer to carry out any and all other covenants or agreements with the purchaser and to perform its duties under the act; (c) by bringing suit upon the bonds; (d) by action or suit in equity, require the issuer to account as if it were the trustee of an express trust for the owners of the bonds; (e) by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the owners of the bonds; (f) by declaring all bonds due and payable, and if all defaults shall be made good, then by annulling such declaration and its consequences; (g) in the event that all bonds are declared due and payable, by selling permitted investments of the issuer (to the extent not theretofore set aside for redemption of bonds for which call has been made), and enforcing all courses in action of the issuer to the fullest legal extent in the name of the issuer. Furthermore, each defaulted bond shall continue to bear interest after maturity at the interest rate applicable to such respective bonds until the necessary funds are made available for payment.

As of June 30, 2020, the principal amount outstanding was \$3,449,993. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 552,670	\$ 72,041
2022	699,349	57,830
2023	718,643	41,736
2024	732,211	25,269
2025	747,060	8,479
Totals	<u>\$ 3,449,933</u>	<u>\$ 205,355</u>

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

Note 5. Long-term Debt (Continued)

A. Other Debt (Continued)

4. General Obligation Bonds - Administrative Building

On January 5, 2010, Rowan County issued \$3,995,000 of general obligation bonds for the building of a new administration building. The bonds require the semiannual interest and principal payments be made on June 1 and December 1 of each year commencing on June 1, 2010. One principal payment will be due on December 1 of each year commencing December 1, 2011. The agreement has a variable interest rate of 1.75 to 4.625 percent. The bonds will mature December 1, 2029.

In the event of a failure of the county to comply with any provision of this agreement, the bank may and, at the request of any underwriter or any registered or beneficial owner of bonds, shall, or any registered or beneficial owner may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the county to comply with its obligations under this agreement.

As of June 30, 2020, the principal amount outstanding was \$115,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 115,000	\$ 2,372
Totals	<u>\$ 115,000</u>	<u>\$ 2,372</u>

5. General Obligation Refunding Lease - Administrative Building Renovation

On June 8, 2019, Rowan County issued \$1,470,082 in general obligation refunding lease bonds for the partial refunding of the bonds for the renovation of the administrative building. The bonds require the semiannual interest and principal payments to be made on June 1 and December 1 of each year commencing on December 1, 2019. The agreement has an interest rate of 2.19 percent. The bonds will be paid in full through the general obligation bond issue as of June 1, 2030.

In the event of default, the bank may and, at the request of any underwriter or any registered or beneficial owner of bonds, shall, or any registered or beneficial owner may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the county to comply with its obligations under this agreement.

As of June 30, 2020, the principal amount outstanding was \$1,414,047. Future principal and interest requirements are:

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

Note 5. Long-term Debt (Continued)

A. Other Debt (Continued)

5. General Obligation Refunding Lease - Administrative Building Renovation (Continued)

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 19,571	\$ 30,753
2022	143,702	28,965
2023	146,297	25,790
2024	148,563	22,561
2025	150,652	19,285
2026-2030	<u>805,262</u>	<u>44,876</u>
Totals	<u>\$ 1,414,047</u>	<u>\$ 172,230</u>

6. General Obligation Bonds - Old Courthouse Refinance

On April 24, 2013, Rowan County issued \$1,190,000 of general obligation refunding bonds for the refinancing of the old courthouse renovation bonds and old courthouse restoration lease. The bonds require semiannual interest and principal payments to be made on November 1 and May 1 of each year, commencing on November 1, 2013. The agreement has a variable interest rate of 1.0 to 2.65 percent. The bonds will mature November 1, 2026.

In the event of default, bank may and, at the request of any underwriter or any registered or beneficial owner of bonds, shall, or any registered or beneficial owner may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the county to comply with its obligations under this agreement due to the fact that there are no debt service reserve funds applicable to the bonds; there are no liquidity providers applicable to the bonds; and there is no property securing the repayment of the bonds.

As of June 30, 2020, the principal amount outstanding was \$665,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 115,000	\$ 14,489
2022	110,000	12,248
2023	115,000	9,604
2024	120,000	6,843
2025	120,000	3,843
2026-2027	<u>85,000</u>	<u>2,319</u>
Totals	<u>\$ 665,000</u>	<u>\$ 49,346</u>

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

Note 5. Long-term Debt (Continued)

A. Other Debt (Continued)

7. General Obligation Bonds, Series 2016 - Detention Facility

On June 29, 2016, Rowan County issued general obligation bonds in the amount of \$15,000,000 to finance the construction of the Rowan County Detention Facility and to retire the 2015 bond anticipation notes. The bonds require semiannual interest and principal payments to be made on November 1 and May 1 of each year, commencing on November 1, 2013. The bonds have interest rates from two percent to four percent with a retirement date of June 30, 2036.

In the event of a failure of the county to comply with any provision of this agreement, the bank may and, at the request of any underwriter or any registered or beneficial owner of bonds, shall, or any registered or beneficial owner may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the county to comply with its obligations under this agreement.

The principal balance as of June 30, 2020, was \$12,940,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 625,000	\$ 417,506
2022	645,000	398,756
2023	665,000	379,406
2024	690,000	352,806
2025	720,000	325,206
2026-2030	3,945,000	1,286,494
2031-2035	4,635,000	586,900
2036	<u>1,015,000</u>	<u>30,450</u>
Totals	<u>\$ 12,940,000</u>	<u>\$ 3,777,524</u>

8. General Obligation Bonds, Series 2019 - Detention Facility

On May 18, 2019, Rowan County issued general obligation bonds in the amount of \$4,300,000 to complete the construction of the Rowan County Detention Facility. The bonds require annual interest and principal payments to be made on June 1 of each year, commencing on June 1, 2019. The bonds have interest rates from three percent to four percent with a maturity date of June 1, 2036.

In the event of a failure of the county to comply with any provision of this agreement, the bank may and, at the request of any underwriter or any registered or beneficial owner of bonds, shall, or any registered or beneficial owner may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the county to comply with its obligations under this agreement.

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

Note 5. Long-term Debt (Continued)

A. Other Debt (Continued)

8. General Obligation Bonds, Series 2019 - Detention Facility (Continued)

As of June 30, 2020, the principal amount outstanding was \$3,795,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 185,000	\$ 137,300
2022	190,000	129,900
2023	195,000	124,200
2024	200,000	118,350
2025	205,000	112,350
2026-2030	1,140,000	462,500
2031-2035	1,375,000	230,000
2036	305,000	12,200
Totals	<u>\$ 3,795,000</u>	<u>\$ 1,326,800</u>

B. Aggregate Debt Schedule

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

Fiscal Year Ended June 30	Other Debt	
	Principal	Interest
2021	\$ 1,616,198	\$ 771,541
2022	1,832,509	724,128
2023	1,885,611	675,952
2024	1,937,690	619,800
2025	1,990,907	561,855
2026-2030	9,396,954	1,983,426
2031-2035	6,010,000	816,900
2036	1,320,000	42,650
Totals	<u>\$ 25,989,869</u>	<u>\$ 6,196,252</u>

ROWAN 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
General Obligation Bonds	\$ 19,958,194	\$	\$1,029,147	\$18,929,047	\$ 1,059,571
Revenue Bonds	7,670,822		610,000	7,060,822	556,627
Total Long-term Debt	<u>\$ 27,629,016</u>	<u>\$ 0</u>	<u>\$ 1,639,147</u>	<u>\$25,989,869</u>	<u>\$ 1,616,198</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 \$843,151, FY 2019 was \$1,099,136, and FY 2020 was \$1,251,963.

Nonhazardous

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

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

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

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

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

Note 6. Employee Retirement System (Continued)

Hazardous

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008, are required to contribute 9 percent of their salary to be allocated as follows: 8 percent will go to the member's account and 1 percent will go to the KRS insurance fund.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan.

Members in the plan contribute a set percentage of their salary each month to their own accounts. Hazardous members contribute 8 percent of their annual creditable compensation and also contribute 1 percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board of Directors based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A hazardous member's account is credited with a 7.5 percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

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

The county's contribution rate for hazardous employees was 39.58 percent.

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

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

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

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

Note 6. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

A. Health Insurance Coverage - Tier 1 (Continued)

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

Hazardous employees whose participation began on or after July 1, 2003, earn 15 dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, the employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

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

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

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

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

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

C. Health Insurance Coverage - Tier 2 and Tier 3 - Hazardous

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

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

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

Note 6. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

D. Cost of Living Adjustments - Tier 1

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

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

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

F. Death Benefit

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

KRS Annual Financial Report and Proportionate Share Audit Report

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

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

Note 7. Deferred Compensation

The Rowan 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.

ROWAN 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 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

The Rowan County Fiscal Court established a health reimbursement account on to provide employees an additional health benefit for those that waive their health insurance coverage. The county has contracted with a third-party administrator to administer the plan. The plan provides a debit card to each eligible employee providing \$2,500 each year to pay for qualified medical expenses.

Note 9. Insurance

For the fiscal year ended June 30, 2020, the Rowan 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. Conduit Debt

From time to time the county has issued bonds to provide financial assistance to St. Claire Regional Medical Center 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 Rowan 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.

Note 11. Prior Period Adjustments

The beginning balance of the general fund was increased \$391 and the jail fund was increased \$44 to account for prior year voided checks. The beginning balance of the state grants fund was reduced \$23,197 to account for the creation of the juvenile justice fund (\$6,424) and harm reduction grant fund (\$16,773). The beginning balance of the public properties corporation fund was decreased \$170 to eliminate activity included in the general fund.

Note 12. Subsequent Events

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. On March 6, 2020, the Governor of Kentucky declared a state of emergency and subsequently ordered all nonessential businesses closed on March 26, 2020, until further notice. The ultimate disruption which may be caused by the outbreak is uncertain; however, it may result in a material adverse impact on the county's financial operations. Possible effects may include, but are not limited to, disruption to the county's revenue in the form of property and occupational tax collections and absenteeism in the county's labor work force. While the county expects this matter to negatively impact its financial operations, the related impact cannot be reasonably estimated at this time.

ROWAN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2020

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ROWAN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2020

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 6,335,500	\$ 6,415,500	\$ 6,861,341	\$ 445,841
In Lieu Tax Payments	85,000	85,000	118,345	33,345
Excess Fees	75,592	75,592	144,048	68,456
Licenses and Permits	111,200	111,200	114,745	3,545
Intergovernmental	293,718	413,750	543,769	130,019
Miscellaneous	45,400	76,170	82,842	6,672
Interest	10,000	10,000	12,904	2,904
Total Receipts	<u>6,956,410</u>	<u>7,187,212</u>	<u>7,877,994</u>	<u>690,782</u>
DISBURSEMENTS				
General Government	1,634,761	2,018,598	1,910,164	108,434
Protection to Persons and Property	380,825	640,713	523,120	117,593
General Health and Sanitation	362,567	416,932	350,157	66,775
Social Services	31,500	31,500	28,890	2,610
Recreation and Culture	247,546	244,926	212,422	32,504
Airports	38,000	38,000	38,000	
Bus Services	27,000	27,000	27,000	
Debt Service	298,714	298,714	298,663	51
Capital Projects	2,000	2,000		2,000
Administration	1,556,900	1,705,232	1,663,448	41,784
Total Disbursements	<u>4,579,813</u>	<u>5,423,615</u>	<u>5,051,864</u>	<u>371,751</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>2,376,597</u>	<u>1,763,597</u>	<u>2,826,130</u>	<u>1,062,533</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	<u>(4,116,560)</u>	<u>(4,196,560)</u>	<u>(3,122,721)</u>	<u>1,073,839</u>
Total Other Adjustments to Cash (Uses)	<u>(4,116,560)</u>	<u>(4,196,560)</u>	<u>(3,122,721)</u>	<u>1,073,839</u>
Net Change in Fund Balance	(1,739,963)	(2,432,963)	(296,591)	2,136,372
Fund Balance - Beginning (Restated)	<u>1,739,963</u>	<u>2,432,963</u>	<u>2,458,283</u>	<u>25,320</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,161,692</u>	<u>\$ 2,161,692</u>

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

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
In Lieu Tax Payments	\$ 40,000	\$ 40,000	\$ 122,645	\$ 82,645
Intergovernmental	1,416,753	2,032,139	2,019,947	(12,192)
Miscellaneous	1,000	1,000	2,435	1,435
Interest	1,000	1,000	1,820	820
Total Receipts	<u>1,458,753</u>	<u>2,074,139</u>	<u>2,146,847</u>	<u>72,708</u>
DISBURSEMENTS				
Roads	2,071,722	2,763,638	2,551,704	211,934
Administration	404,900	408,370	377,897	30,473
Total Disbursements	<u>2,476,622</u>	<u>3,172,008</u>	<u>2,929,601</u>	<u>242,407</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,017,869)</u>	<u>(1,097,869)</u>	<u>(782,754)</u>	<u>315,115</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	997,869	1,077,869	1,060,000	(17,869)
Total Other Adjustments to Cash (Uses)	<u>997,869</u>	<u>1,077,869</u>	<u>1,060,000</u>	<u>(17,869)</u>
Net Change in Fund Balance	(20,000)	(20,000)	277,246	297,246
Fund Balance - Beginning	20,000	20,000	14,501	(5,499)
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 291,747</u>	<u>\$ 291,747</u>

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

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 2,461,300	\$ 2,708,399	\$ 3,032,536	\$ 324,137
Charges for Services	120,000	120,000	158,288	38,288
Miscellaneous	61,000	77,303	114,881	37,578
Interest	500	500	821	321
Total Receipts	<u>2,642,800</u>	<u>2,906,202</u>	<u>3,306,526</u>	<u>400,324</u>
DISBURSEMENTS				
Protection to Persons and Property	2,641,664	3,037,741	2,932,415	105,326
Debt Service	1,363,357	1,363,357	1,363,356	1
Administration	882,400	851,210	829,336	21,874
Total Disbursements	<u>4,887,421</u>	<u>5,252,308</u>	<u>5,125,107</u>	<u>127,201</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(2,244,621)</u>	<u>(2,346,106)</u>	<u>(1,818,581)</u>	<u>527,525</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	2,224,621	2,224,621	1,724,621	(500,000)
Total Other Adjustments to Cash (Uses)	<u>2,224,621</u>	<u>2,224,621</u>	<u>1,724,621</u>	<u>(500,000)</u>
Net Change in Fund Balance	(20,000)	(121,485)	(93,960)	27,525
Fund Balance - Beginning (Restated)	<u>20,000</u>	<u>121,485</u>	<u>121,529</u>	<u>44</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 27,569</u>	<u>\$ 27,569</u>

ROWAN 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		
RECEIPTS				
Intergovernmental	\$	\$ 75,371	\$ 121,934	\$ 46,563
Interest		79	181	102
Total Receipts		<u>75,450</u>	<u>122,115</u>	<u>46,665</u>
DISBURSEMENTS				
Capital Projects		<u>75,450</u>	<u>64,700</u>	<u>10,750</u>
Total Disbursements		<u>75,450</u>	<u>64,700</u>	<u>10,750</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			<u>57,415</u>	<u>57,415</u>
Net Change in Fund Balance			57,415	57,415
Fund Balance - Beginning				
Fund Balance - Ending	\$	0	\$ 57,415	\$ 57,415

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

	STATE GRANTS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 16,000	\$ 22,500	\$ 45,000	\$ 22,500
Miscellaneous		177	177	0
Total Receipts	<u>16,000</u>	<u>22,677</u>	<u>45,177</u>	<u>22,500</u>
DISBURSEMENTS				
General Health and Sanitation	<u>24,000</u>	<u>42,937</u>	<u>7,887</u>	<u>35,050</u>
Total Disbursements	<u>24,000</u>	<u>42,937</u>	<u>7,887</u>	<u>35,050</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(8,000)</u>	<u>(20,260)</u>	<u>37,290</u>	<u>57,550</u>
Net Change in Fund Balance	(8,000)	(20,260)	37,290	57,550
Fund Balance - Beginning (Restated)	<u>8,000</u>	<u>20,260</u>	<u>20,260</u>	<u>0</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 57,550</u>	<u>\$ 57,550</u>

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

	AMBULANCE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 198,000	\$ 198,000	\$ 198,000	\$
Charges for Services	1,181,000	1,181,000	1,086,474	(94,526)
Miscellaneous	1,000	8,950	8,950	
Interest	200	200	366	166
Total Receipts	<u>1,380,200</u>	<u>1,388,150</u>	<u>1,293,790</u>	<u>(94,360)</u>
DISBURSEMENTS				
Protection to Persons and Property	1,659,218	1,875,421	1,245,900	629,521
Administration	653,500	671,000	609,623	61,377
Total Disbursements	<u>2,312,718</u>	<u>2,546,421</u>	<u>1,855,523</u>	<u>690,898</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(932,518)</u>	<u>(1,158,271)</u>	<u>(561,733)</u>	<u>596,538</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	892,518	892,518	337,100	(555,418)
Total Other Adjustments to Cash (Uses)	<u>892,518</u>	<u>892,518</u>	<u>337,100</u>	<u>(555,418)</u>
Net Change in Fund Balance	(40,000)	(265,753)	(224,633)	41,120
Fund Balance - Beginning	<u>40,000</u>	<u>265,753</u>	<u>265,753</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 41,120</u>	<u>\$ 41,120</u>

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

FOREST FIRE PROTECTION FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 1,000	\$ 1,000	\$ 1,002	\$ 2
Total Receipts	1,000	1,000	1,002	2
DISBURSEMENTS				
Protection to Persons and Property	2,552	2,552	2,551	1
Total Disbursements	2,552	2,552	2,551	1
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,552)	(1,552)	(1,549)	3
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,552	1,552	1,000	(552)
Total Other Adjustments to Cash (Uses)	1,552	1,552	1,000	(552)
Net Change in Fund Balance			(549)	(549)
Fund Balance - Beginning			669	669
Fund Balance - Ending	\$ 0	\$ 0	\$ 120	\$ 120

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

	JUVENILE JUSTICE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
DISBURSEMENTS				
Social Services	\$	\$ 6,424	\$ 6,424	\$
Total Disbursements		6,424	6,424	
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		(6,424)	(6,424)	
Net Change in Fund Balance		(6,424)	(6,424)	
Fund Balance - Beginning (Restated)		6,424	6,424	
Fund Balance - Ending	\$	0	\$ 0	\$ 0

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

	HARM REDUCTION GRANT FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 10,000	\$ 10,000	\$ 8,046	\$ (1,954)
Total Receipts	10,000	10,000	8,046	(1,954)
DISBURSEMENTS				
General Health and Sanitation	17,000	26,773	6,562	20,211
Total Disbursements	17,000	26,773	6,562	20,211
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(7,000)	(16,773)	1,484	18,257
Net Change in Fund Balance	(7,000)	(16,773)	1,484	18,257
Fund Balance - Beginning (Restated)	7,000	16,773	16,773	
Fund Balance - Ending	\$ 0	\$ 0	\$ 18,257	\$ 18,257

ROWAN 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.

ROWAN COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2020

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ROWAN 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	\$ 5,926,816	\$	\$	\$ 5,926,816
Buildings	39,181,065			39,181,065
Vehicles	2,306,490	105,921		2,412,411
Machinery and Equipment	3,044,860	105,921		3,150,781
Infrastructure	9,071,326	1,316,286		10,387,612
 Total Capital Assets	 <u>\$ 59,530,557</u>	 <u>\$ 1,528,128</u>	 <u>\$ 0</u>	 <u>\$ 61,058,685</u>

ROWAN 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 Harry Clark, Rowan County Judge/Executive
Members of the Rowan 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 Rowan County Fiscal Court for the fiscal year ended June 30, 2020 and the related notes to the financial statement which collectively comprise the Rowan County Fiscal Court's financial statement and have issued our report thereon dated May 7, 2021.

Internal Control Over Financial Reporting

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

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 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We identified a certain deficiency in internal control, which is described in the accompanying Schedule of Findings and Responses that we consider to be a significant deficiency as item 2020-001.



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 Rowan 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

Rowan County's views and planned corrective action for the finding identified in our audit is 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,

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

Mike Harmon
Auditor of Public Accounts

May 7, 2021

**ROWAN COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2020

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**ROWAN COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The year Ended June 30, 2020

INTERNAL CONTROL - SIGNIFICANT DEFICIENCY:

2020-001 The Rowan County Jail Does Not Have Adequate Segregation Of Duties Over Jail Commissary Receipt Transactions

The jail does not have adequate segregation of duties over jail commissary receipt transactions. The bookkeeper for the jail commissary prepares deposits, prepares daily checkout sheet, and posts to the receipts ledger. According to the jailer, the limited number of staff in the office at the jail prevents a proper segregation of duties. Inadequate segregation of duties allows one person to have a significant role in processing and recording receipts, which increases the risk that undetected misappropriation of assets and inaccurate financial reporting will occur. A deficiency occurs when someone has custody over assets and the responsibility of recording financial transactions. The lack of oversight could result in undetected misappropriation of assets and inaccurate financial reporting to the fiscal court.

A strong internal control system requires the duties of receiving, recording, disbursing, and reporting be segregated in order to decrease the risk of misappropriation of assets, errors, and inaccurate financial reporting to external agencies. Although the jailer has implemented some compensating controls, such as dual signatures on checks, they do not eliminate the risk associated with inadequate segregation of duties. We recommend the jailer segregate duties over the jail commissary receipts process. If these duties cannot be segregated, the jailer should implement additional compensating controls to help offset this weakness:

- Recount the daily deposit and verify that it agrees to the daily checkout sheet.
- Agree daily checkout sheet to the receipts ledger and deposit slip.
- Review the monthly reports and agree them to the receipts ledger and disbursements ledger.
- Review the monthly bank reconciliation and trace transactions to source documents.

The jailer should initial these documents as proof of his review. We recommend the jailer either segregate duties adequately or implement and document compensating controls.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: We concur with the Jailer's response.

Jailer's Response: I will look over all jail deposits, and reconcile bank statements.

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

ROWAN COUNTY FISCAL COURT

For The Year Ended June 30, 2020

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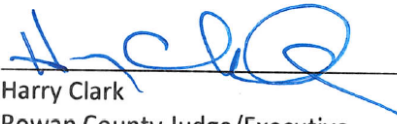
CERTIFICATION OF COMPLIANCE

LCOAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

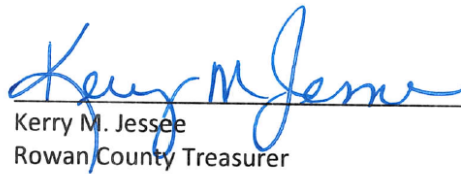
ROWAN COUNTY FISCAL COURT

For the Fiscal Year Ended June 30, 2020

The Rowan 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.



Harry Clark
Rowan County Judge/Executive



Kerry M. Jessee
Rowan County Treasurer