

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

**For The Year Ended
June 30, 2021**



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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 Craig Z. Clymer, McCracken County Judge/Executive
Members of the McCracken 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 McCracken County Fiscal Court, for the year ended June 30, 2021, and the related notes to the financial statement, which collectively comprise the McCracken 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 McCracken 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 McCracken County Fiscal Court as of June 30, 2021, 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 McCracken County Fiscal Court as of June 30, 2021, 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 as 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 McCracken County Fiscal Court. The Budgetary Comparison Schedules and the Schedule of Expenditures of Federal Awards (supplementary information), as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Schedule of Capital Assets (other information) are presented for purposes of additional analysis and are not a required part of the financial statement; however, they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

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Other Matters (Continued)

Supplementary and Other Information (Continued)

The accompanying Budgetary Comparison Schedules and Schedule of Expenditures of Federal Awards 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 and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the financial statement as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2021, on our consideration of the McCracken 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 solely 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 effectiveness of 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 McCracken 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 Questioned Costs included herein, which discusses the following report finding:

2021-001 The McCracken County Fiscal Court Failed To Implement Internal Controls Over Disbursements

Respectfully submitted,



Mike Harmon
 Auditor of Public Accounts

December 10, 2021

MCCRACKEN COUNTY OFFICIALS**For The Year Ended June 30, 2021****Fiscal Court Members:**

Craig Z. Clymer	County Judge/Executive
Bill Bartleman	Commissioner
Eddie Jones	Commissioner
Jeff Parker	Commissioner

Other Elected Officials:

Sam Clymer	County Attorney
David Knight	Jailer
Julie Griggs	County Clerk
Kim Channell	Circuit Court Clerk
Matthew Carter	Sheriff
Bill Dunn	Property Valuation Administrator
Amanda Melton	Coroner

Appointed Personnel:

Steve Doolittle	Deputy Judge/Executive
Pamela Thompson	County Treasurer
Randy Williams	Road Supervisor

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

For The Year Ended June 30, 2021

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

For The Year Ended June 30, 2021

	Budgeted Funds			
	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund
RECEIPTS				
Taxes	\$ 16,917,795	\$	\$	\$
In Lieu Tax Payments	1,040,647			
Licenses and Permits	587,883			
Intergovernmental	3,832,472	1,805,907	3,122,322	233,838
Charges for Services	39,080		112,161	
Miscellaneous	1,289,093		228,426	
Interest	46,428			
Total Receipts	<u>23,753,398</u>	<u>1,805,907</u>	<u>3,462,909</u>	<u>233,838</u>
DISBURSEMENTS				
General Government	4,724,414			
Protection to Persons and Property	1,022,040		5,032,066	
General Health and Sanitation	386,345			
Social Services	46,213			
Recreation and Culture	597,870			
Roads		2,545,791		
Airports	123,630			
Debt Service				
Capital Projects		21,727		
Administration	2,821,196	622,282	1,891,578	
Total Disbursements	<u>9,721,708</u>	<u>3,189,800</u>	<u>6,923,644</u>	
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>14,031,690</u>	<u>(1,383,893)</u>	<u>(3,460,735)</u>	<u>233,838</u>
Other Adjustments to Cash (Uses)				
Bond Anticipation Notes Proceeds				
Transfers From Other Funds	4,011	1,395,000	3,340,000	
Transfers To Other Funds	(9,403,229)			
Total Other Adjustments to Cash (Uses)	<u>(9,399,218)</u>	<u>1,395,000</u>	<u>3,340,000</u>	
Net Change in Fund Balance	4,632,472	11,107	(120,735)	233,838
Fund Balance - Beginning (Restated)	2,863,708	76,273	357,922	68,349
Fund Balance - Ending	<u>\$ 7,496,180</u>	<u>\$ 87,380</u>	<u>\$ 237,187</u>	<u>\$ 302,187</u>
Composition of Fund Balance				
Bank Balance	\$ 7,716,030	\$ 301,330	\$ 311,997	\$ 302,187
Less: Outstanding Checks	(219,850)	(213,950)	(74,810)	
Fund Balance - Ending	<u>\$ 7,496,180</u>	<u>\$ 87,380</u>	<u>\$ 237,187</u>	<u>\$ 302,187</u>

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

MCCRACKEN COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2021
(Continued)

Budgeted Funds						
State Grants Fund	Federal Grants Fund	Sheriff Fund	Economic Assistance Fund	Juvenile Justice Fund	Unclaimed Revenue Fund	Transient Room Tax Fund
\$	\$	\$	\$	\$	\$	\$ 2,893,984
18,000	3,060,277	2,242,763				
		30,849	2,126,482		530	
						631
<u>18,000</u>	<u>3,060,277</u>	<u>2,273,612</u>	<u>2,126,482</u>		<u>530</u>	<u>2,894,615</u>
	123,231	3,466,124	199,214			
10,000						2,145,961
			637,414			648,733
		2,006,667				
<u>10,000</u>	<u>123,231</u>	<u>5,472,791</u>	<u>836,628</u>			<u>2,794,694</u>
<u>8,000</u>	<u>2,937,046</u>	<u>(3,199,179)</u>	<u>1,289,854</u>		<u>530</u>	<u>99,921</u>
	13,229	3,095,000				
					(4,011)	
	<u>13,229</u>	<u>3,095,000</u>			<u>(4,011)</u>	
8,000	2,950,275	(104,179)	1,289,854		(3,481)	99,921
32,448	1,144	356,335	802,620		4,011	753,068
<u>\$ 40,448</u>	<u>\$ 2,951,419</u>	<u>\$ 252,156</u>	<u>\$ 2,092,474</u>	<u>\$ 0</u>	<u>\$ 530</u>	<u>\$ 852,989</u>
\$ 40,448	\$ 2,951,419	\$ 260,130	\$ 2,092,661	\$	\$ 530	\$ 852,989
		(7,974)	(187)			
<u>\$ 40,448</u>	<u>\$ 2,951,419</u>	<u>\$ 252,156</u>	<u>\$ 2,092,474</u>	<u>\$ 0</u>	<u>\$ 530</u>	<u>\$ 852,989</u>

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

MCCRACKEN COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2021
(Continued)

	<u>Budgeted Funds</u>		<u>Unbudgeted Fund</u>	
	<u>American Recovery Plan Act Fund</u>	<u>Debt Service Fund</u>	<u>Jail Commissary Fund</u>	<u>Total Funds</u>
RECEIPTS				
Taxes	\$	\$	\$	\$ 19,811,779
In Lieu Tax Payments				1,040,647
Licenses and Permits				587,883
Intergovernmental	6,353,340			20,668,919
Charges for Services				151,241
Miscellaneous		745,867	599,527	5,020,774
Interest		9	184	47,252
Total Receipts	<u>6,353,340</u>	<u>745,876</u>	<u>599,711</u>	<u>47,328,495</u>
DISBURSEMENTS				
General Government				8,512,983
Protection to Persons and Property				6,054,106
General Health and Sanitation				386,345
Social Services				56,213
Recreation and Culture		625,290	294,692	3,663,813
Roads				2,545,791
Airports				123,630
Debt Service		2,352,165		3,638,312
Capital Projects				21,727
Administration		1,100		7,342,823
Total Disbursements	<u></u>	<u>2,978,555</u>	<u>294,692</u>	<u>32,345,743</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>6,353,340</u>	<u>(2,232,679)</u>	<u>305,019</u>	<u>14,982,752</u>
Other Adjustments to Cash (Uses)				
Bond Anticipation Notes Proceeds		660,000		660,000
Transfers From Other Funds		1,560,000		9,407,240
Transfers To Other Funds				(9,407,240)
Total Other Adjustments to Cash (Uses)	<u></u>	<u>2,220,000</u>	<u></u>	<u>660,000</u>
Net Change in Fund Balance	6,353,340	(12,679)	305,019	15,642,752
Fund Balance - Beginning (Restated)		292,127	133,175	5,741,180
Fund Balance - Ending	<u>\$ 6,353,340</u>	<u>\$ 279,448</u>	<u>\$ 438,194</u>	<u>\$ 21,383,932</u>
Composition of Fund Balance				
Bank Balance	\$ 6,353,340	\$ 279,448	\$ 450,399	\$ 21,912,908
Less: Outstanding Checks			(12,205)	(528,976)
Fund Balance - Ending	<u>\$ 6,353,340</u>	<u>\$ 279,448</u>	<u>\$ 438,194</u>	<u>\$ 21,383,932</u>

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

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TO THE FINANCIAL STATEMENT**

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**MCCRACKEN COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2021

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

MCCRACKEN OUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(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 state grant receipts and state grant disbursements of the county.

Federal Grants Fund - The primary purpose of this fund is to account for federal grant receipts and federal grant disbursements of the county.

Sheriff Fund - The primary purpose of this fund is to account for the sheriff's receipts and disbursements. The primary source of receipts for this fund is the sheriff's excess fees.

Economic Assistance Fund - The primary purpose of this fund is to account for bond funds used for local industrial projects.

Juvenile Justice Fund - The primary purpose of this fund is to account for housing expenses of the county's juvenile offenders. The primary source of receipts for this fund is transfers from the general fund.

Unclaimed Revenue Fund - The primary purpose of this fund is to account for assets from the estates of pauper burials the county is responsible for.

Transient Room Tax Fund - The primary purpose of this fund is to account for the collection and distribution of transient room tax.

American Recovery Plan Act Fund - The primary purpose of this fund is to account for funds received by the U.S. Department of Treasury.

Debt Service Fund - The primary purpose of this fund is to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest of the public properties corporation. The fiscal court budgeted this fund; however, the state local finance officer does not require it to be budgeted.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

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.

MCCRACKEN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information

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

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

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

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

E. McCracken County Elected Officials

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

MCCRACKEN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

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 Obligations 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 McCracken County Fiscal Court:

Paducah-McCracken County Convention Center and Visitors Bureau
McCracken County Extension District
Paducah-McCracken County Joint Sewer Agency
West McCracken Water/Sewer District
Paducah-McCracken County Senior Citizens Center
McCracken County Public Library
Hendron Fire District
Concord Fire District
Lone Oak Fire District
Melber Fire District
West McCracken Fire District
Reidland-Farley Fire District
McCracken County Sports Tourism Commission

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

Greater Paducah Economic Development
McCracken and Paducah Geographic Information Systems
Paducah-McCracken County 911
Paducah-McCracken County Industrial Development Authority

MCCRACKEN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(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, 2021, 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 2021.

	General Fund	Unclaimed Revenue Fund	Total Transfers In
General Fund	\$	\$ 4,011	\$ 4,011
Road Fund	1,395,000		1,395,000
Jail Fund	3,340,000		3,340,000
Federal Grants Fund	13,229		13,229
Sheriff Fund	3,095,000		3,095,000
Debt Service Fund	1,560,000		1,560,000
Total Transfers Out	<u>\$ 9,403,229</u>	<u>\$ 4,011</u>	<u>\$ 9,407,240</u>

Reason for transfers:

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

Note 4. Custodial Funds

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

MCCRACKEN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(Continued)

Note 4. Custodial Funds (Continued)

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, 2021 was \$329,083.

Note 5. Receivables

The McCracken County Fiscal Court has receivables due on June 30, 2021, as follows:

A. General Obligation Bonds, Series 2011 - Murray State University Project

On November 22, 2011, McCracken County issued \$9,980,000 in general obligation bonds, series 2011, for the purpose of increasing the public higher education opportunities for residents of the Greater Paducah region. On May 31, 2011, a mutual covenant was formed between McCracken County (county), the City of Paducah (city), Murray State University (MSU), and the Greater Paducah Economic Development Council (GPEDC). The county, city, and GPEDC are to provide a combined \$500,000 per year for 20 years to service the debt of the bonds. It is the responsibility of MSU to make a renewable lease payment to the county for the difference in the county and city's \$500,000 a year contribution, as they may allocate towards the debt service, projected payment to be no more than \$290,000 per year. As of June 30, 2021, the debt service requirements have been met.

B. Paducah Economic Development

On September 18, 2007, the McCracken County Fiscal Court (county) and the City of Paducah (city) entered into a financing agreement with the Paducah Economic Development (PED) for the acquisition of property. As part of the agreement, the PED executed and delivered to the county an interest free promissory note in the amount of \$600,000 for one half of the financing. On December 19, 2008, the county agreed to an additional note of \$311,375 for the PED to purchase property. In December 2013, the county forgave \$500,000 of the \$911,375. On July 13, 2020, the county approved to extend the \$411,375 county loan financing agreement with PED to June 30, 2021, for economic development of property located in McCracken County and known as Riverport West. Then, on December 15, 2020, the county passed an ordinance and forgave the \$411,375. As of June 30, 2021, the balance of the note was \$0.

C. County Attorney Overcompensation Agreement

On January 7, 2016, the McCracken County Fiscal Court and former county attorneys entered into an agreement for repayment of county attorney overcompensation in the amount of \$138,659. The fiscal court and the former county attorneys agreed and settled upon six-year and eleven-year repayment terms. The fiscal court received \$14,993 during the current year. As of June 30, 2021, the remaining balance was \$22,967.

MCCRACKEN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(Continued)

Note 6. Long-term Debt

A. Direct Borrowings and Direct Placements

1. KaCOLT Financing Obligation - Convention Center Renovation

On December 20, 2010, the fiscal court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program (KaCOLT) in the sum of \$4,965,000 at a 4.25 percent effective interest rate. The financing obligation is for the purpose of refinancing the renovation of the Julian Carroll Convention Center. In order to save costs, the fiscal court refinanced a portion of the outstanding lease on September 25, 2017. The un-refunded balance of the 2010 lease was \$843,333. The maturity date of the obligation is January 1, 2021. This debt was paid off in full during fiscal year 2021.

2. KaCOLT Financing Obligation - Jail and Sheriff's Office Expansion

On December 20, 2010, the fiscal court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program (KaCOLT) in the sum of \$4,145,000 at a 4.25 percent effective interest rate. The financing obligation is for the purpose of refinancing the expansion of the jail and the sheriff's office. In order to save costs, the fiscal court refinanced a portion of the outstanding lease on September 25, 2017. The un-refunded balance of the 2010 lease was \$936,667. The maturity date of the obligation is January 1, 2021. This debt was paid off in full during fiscal year 2021.

3. U.S. Bank Financing Obligation - Energy Efficiency Project

On July 15, 2016, the fiscal court entered into an agreement with U.S. Bancorp Government Leasing and Finance, Inc., in the sum of \$3,149,377 at a 2.19 percent effective interest rate. The financing obligation is for the purpose of providing upgrades to aging HVAC systems, other facility needs, and to reduce operating costs associated with energy efficiency. In the event of default, the lessor may declare all lease payments due and amounts shall therefore bear interest at the rate of 12% per annum. The lessor may enter the premises were property subject to the property schedule is located and retake possess of the property. The lessor may liquidate the property with the proceeds paying off any outstanding principal, interest, or expenses associated with the property. The maturity date of the obligation is January 1, 2032. As of June 30, 2021, outstanding bond principal was \$2,433,789. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 197,954	\$ 52,222
2023	202,313	47,863
2024	206,768	43,408
2025	211,320	38,855
2026	215,974	34,202
2027-2031	1,153,334	97,545
2032	246,126	4,050
Totals	<u>\$ 2,433,789</u>	<u>\$ 318,145</u>

MCCRACKEN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(Continued)

Note 6. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

4. Financing Obligation - 2017 Refunding General Obligation Leases

On September 25, 2017, the fiscal court entered into an agreement with Regions Equipment Finance in the sum of \$4,732,537. The financing obligation is for the purpose of partial refinance of the two 2010 KACO leases, in order to provide savings for the county. The maturity date of the obligation is January 1, 2029. Upon the occurrence of an event of default, and as long as the event of default is continuing, lessor may, at its option, exercise any one or more of the following remedies as to the project, to whichever event of default pertains. The lessor may by appropriate court action, enforce the pledge set forth in the ordinance, so that the remaining lease term is levied on all the taxable property in the city, in addition to all other taxes, without limitation as to rate, a direct tax annually in an amount sufficient to pay the lease payments when and as due. The lessor may lease the project or sublease it, holding lessee liable for all lease payments and other payments due during the remaining lease terms. As of June 30, 2021, outstanding principal was \$4,215,160. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 664,252	\$ 113,834
2023	680,684	94,300
2024	696,293	74,262
2025	710,575	53,821
2026	539,919	34,058
2027-2029	<u>923,437</u>	<u>35,058</u>
Totals	<u>\$ 4,215,160</u>	<u>\$ 405,333</u>

5. Bond Anticipation Note, Series 2020N-1 - Convention Center Sport Surfaces

On August 7, 2020, the McCracken County Fiscal Court issued a general obligation bond anticipation note in the amount of \$660,000. The note was authorized for the purpose of financing the acquisition, construction, installation and equipping of four full-size portable court/sport surfaces for use at the Paducah-McCracken County Convention Center. The note has an interest rate of .98 percent, and principal and interest payments are to be made semi-annually beginning January 1, 2021. Upon an event of default, and subject to a 30 day cure period after written notice by the bank to the borrower, the bank may pursue any remedy at law or in equity including but not limited to: enforcement of the obligation through court order, collection and enforcement procedures allowed by state law, and any other remedies available to the bank. The maturity date of the lease is July 1, 2022. The balance as of June 30, 2021, was \$660,000. Annual debt service requirements to maturity are as follows:

MCCRACKEN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(Continued)

Note 6. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

5. Bond Anticipation Note Series 2020N-1 - Convention Center Sport Surfaces (Continued)

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$	\$ 6,468
2023	660,000	3,234
Totals	<u>\$ 660,000</u>	<u>\$ 9,702</u>

B. Other Debt

1. General Obligation Bonds, Series 2011 (MSU Project)

On November 22, 2011, fiscal court issued McCracken County, Kentucky General Obligation Bonds, (Murray State University Project), Series 2011. The bonds originally totaled \$9,980,000, and the proceeds will be used for the purposes of (i) constructing an education building and associated streets, parking lots, utilities and infrastructure, and (ii) paying the costs of issuance of the bonds, which are dated November 22, 2011, have interest rates of one percent to 3.50 percent and mature beginning in December 2012 through December 2031. The basic security for the general obligation debt of the county including the bonds is the county's ability to levy, and is pledged to levy, an annual tax to pay the interest on and principal of the bonds as and when the same become due and payable. The constitution of the state mandates the collection of a tax sufficient to pay the interest of an authorized indebtedness and the creation of a sinking fund for the payment of the principal thereof.

A mutual covenant was formed by McCracken County Fiscal Court (county), the City of Paducah (Paducah), Murray State University (MSU), and the Greater Paducah Economic Development Council (GPEDC). See Note 5.A. for the receivable. The balance on these bonds as of June 30, 2021, was \$6,070,000. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 480,000	\$ 176,331
2023	490,000	164,506
2024	500,000	151,819
2025	515,000	138,175
2026	530,000	123,475
2027-2031	2,910,000	357,072
2032	645,000	11,288
Totals	<u>\$ 6,070,000</u>	<u>\$ 1,122,666</u>

MCCRACKEN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(Continued)

Note 6. Long-term Debt (Continued)

B. Other Debt (Continued)

2. General Obligation Bonds, Series 2013A (TeleTech Project)

On June 17, 2013, the fiscal court sold McCracken County, Kentucky General Obligation Bonds, (TeleTech Project), Series 2013A. The bonds originally totaled \$1,415,000, and the proceeds will be used for the purposes of (i) financing the acquisition, construction, installation, and equipping of an approximately 30,000 square foot building, which will be subleased to TeleTech Services Corporation and (ii) paying the costs of issuance of the bonds, which are dated June 17, 2013, have interest rates of one percent to five percent and mature beginning in December 2013 through December 2032. The basic security for the general obligation debt of the county including the bonds is the county's ability to levy, and is pledged to levy, an annual tax to pay the interest on and principal of the bonds as and when the same become due and payable. The constitution of the state mandates the collection of a tax sufficient to pay the interest of an authorized indebtedness and the creation of a sinking fund for the payment of the principal thereof. The balance on these bonds as of June 30, 2021, was \$965,000. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 65,000	\$ 42,869
2023	65,000	40,756
2024	65,000	38,400
2025	70,000	35,700
2026	70,000	32,900
2027-2031	425,000	106,875
2032-2033	205,000	10,375
Totals	<u>\$ 965,000</u>	<u>\$ 307,875</u>

3. General Obligation Bonds, Series 2013B (Whitehall/MACCO Project)

On September 10, 2013, the fiscal court sold McCracken County, Kentucky General Obligation Bonds (Whitehall/MACCO Project), Series 2013B. The bonds originally totaled \$3,015,000 and the proceeds will be used for the purposes of (i) financing improvements to an industrial/distribution facility located within the County (the MACCO Project) to be leased to a Kentucky subsidiary of MACCO Organiques Incorporated, a Canadian corporation, (ii) financing equipment for the use by SRS Industries, LLC d/b/s Whitehall Industries, a Michigan limited liability company, at an industrial/distribution facility located within the county to be leased by such company (the Whitehall Project and together with the MACCO Project, the Project), and (iii) paying the costs of issuing the bonds. The bonds have interest rates of three percent to five percent and mature beginning in March 2014 through September 2033. The fiscal court received a good faith deposit of \$60,300 in September 2013, along with the remainder of the funds. The basic security for the general obligation debt of the county including the bonds is the county's ability to levy, and is pledged to levy, an annual tax to pay the interest on and principal of the bonds as and when the same become due and payable. The constitution of the state mandates the collection of a tax sufficient to pay the interest of an authorized indebtedness and the creation of a sinking fund for the payment of the principal thereof.

MCCRACKEN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(Continued)

Note 6. Long-term Debt (Continued)

B. Other Debt (Continued)

3. General Obligation Bonds, Series 2013B (Whitehall/MACCO Project) (Continued)

The balance of these bonds as of June 30, 2021, was \$1,510,000. Annual debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 240,000	\$ 57,000
2023	250,000	49,650
2024	255,000	42,075
2025	60,000	36,750
2026	65,000	33,625
2027-2031	370,000	115,750
2032-2034	270,000	20,750
Totals	<u>\$ 1,510,000</u>	<u>\$ 355,600</u>

4. First Mortgage Revenue Refunding Bonds, Series 2013

On December 17, 2013, the fiscal court sold McCracken County, Kentucky Public Properties Corporation First Mortgage Revenue Refunding Bonds, Series 2013, (courthouse project) through the McCracken County, Kentucky Public Properties Corporation. The bonds totaled \$3,165,000, and the proceeds were used for the purposes of, (i) refunding all of the outstanding series 2004 bonds issued by the McCracken County Public Properties Corporation and (ii) paying the cost of issuance on the bonds, which are dated December 17, 2013, have interest rates of one percent to 3.65 percent and mature beginning in June 2014 through June 2027. The county will be in default if any of the following events occur, (i) failure of the principal payment when due or upon call for redemption, (ii) failure to make any interest payment due, (iii) default in performance or observance of any other of the covenants, agreements or conditions on their part contained in the mortgage or lease, any authorizing resolution of the corporation, the county or AOC, or the bonds, and such failure, refusal or default will continue for a period of 45 days after the written notice thereof by the trustee or by the owners of not less than 25% in a principal amount of the outstanding bonds to the corporation, the county or AOC, as applicable. The owners of the bonds remedies in an event of default are the following, (i) foreclose on the mortgage lien on the project site and improvements granted by the mortgage or carry out decretal sale. However, no foreclosure sale will result in a deficiency judgement of any type or in any amount against AOC, the county or the corporation.

MCCRACKEN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(Continued)

Note 6. Long-term Debt (Continued)

B. Other Debt (Continued)

4. First Mortgage Revenue Refunding Bonds, Series 2013 (Continued)

The county may at any time by the discharge of the bonds and interest thereon receive an unencumbered fee simple title to the mortgaged facilities; provided that the event of any such enforcement of said lien by the trustee, there will first be paid all expenses incident to said document, and thereafter the bonds then outstanding will be paid and retired, (ii) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the owners of the bonds, including the right to require the corporation to enforce fully the lease and to charge, collect and fully account for the pledged receipts, and to require the corporation to carry out any and all other covenants or agreements with the bondholders and to perform its duties under the act, (iii) by bringing suit upon the bonds, (iv) by action or suit in equity, require the corporation to account as if it were the trustee of an express trust for the owners of the bonds, (v) 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, (vi) by declaring all bonds due and payable, and if all defaults will be made good, then, with the written consent of the owners of not less than fifty percent in a principal amount of the outstanding bonds are declared due and payable, by selling investment obligations of the corporation (to the extent not theretofore set aside for redemption of the bonds for which call has been made), and enforcing all choices in action of the corporation to the fullest legal extent in the name of the corporation for the use and benefit of the owners of the bonds. As of June 30, 2021, outstanding bond principal was \$1,140,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 215,000	\$ 30,981
2023	215,000	25,230
2024	220,000	18,974
2025	230,000	12,109
2026	235,000	4,725
2027	25,000	453
Totals	<u>\$ 1,140,000</u>	<u>\$ 92,472</u>

5. Convention Center and Four Rivers Centers - City of Paducah

On August 19, 2010, the McCracken County Fiscal Court (county) issued a note payable to the City of Paducah, Kentucky (city) in the amount of \$3,582,500. The note was authorized for the purpose of paying the county's 50 percent portion of the refinancing costs related to the original acquisition, construction, installation and equipping of the expansion to the Julian Carroll Convention Center and the construction of the Julian Carroll Convention Center and the construction of the Four Rivers Center for the Performing Arts (collectively, the project) and paying the county's 50 percent portion of the costs of issuance by the City of Paducah (the city) of its General Obligation Refunding Bonds, Series 2010 (the city bonds) being issued to refinance the costs of the Project. The note has interest rates of 1.0 percent to 3.25 percent and interest payments are to be made semi-annually beginning December 1, 2010. Principal payments are to be made annually on June 1 with the final payment due June 1, 2026. The balance on the note as of July 1, 2020, was \$1,570,000. The city refinanced the bond on October 7, 2020 thus cancelling the current note payable. The county issued a note payable for their portion of the new bond. This is listed below as Note 6.B.8. Convention Center and Four Rivers Centers - City of Paducah Refinance.

MCCRACKEN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(Continued)

Note 6. Long-term Debt (Continued)

B. Other Debt (Continued)

6. Speculative Building - City of Paducah

On August 23, 2011, the McCracken County Fiscal Court (county) issued a note payable to the City of Paducah, Kentucky (city) in the amount of \$1,955,000. The note was authorized for the purpose of refinancing the May 1, 2004 note payable to the City of Paducah, Kentucky (city). In August 2011, the city issued general obligation taxable refunding bonds of \$3,910,000 to advance refund general obligation public projects bonds, series 2004, issued for the purpose of acquisition, construction and installation of approximately 100,000 square foot building to be leased by the city and county to the Paducah McCracken Industrial Development Authority.

On June 1, 2004, the city and county entered into a lease agreement with the Paducah McCracken County Industrial Development Authority. On June 23, 2014, the Paducah McCracken County Industrial Development Authority entered into an agreement with Genova Products, Inc. Genova shall be responsible for the payment of the monthly rent installments for the remainder of the term of the lease. The note has an interest rate of 3.68 percent and interest payments are to be made semiannually beginning December 1, 2011. Principal payments are to be made annually on June 1 with the final payment due on June 1, 2024. The building was sold during fiscal year 2021, and part of the proceeds were used to pay off the rest of the loan.

7. Julian Carroll Convention Center - City of Paducah

On January 1, 2017, the McCracken County Fiscal Court (county) issued a note payable to the City of Paducah, Kentucky (city) in the amount of \$1,500,000. The note was authorized for the purpose of paying the county's 50 percent portion of the lease in order to finance the acquisition, construction, installation and equipping of improvement to the Julian Carroll Convention Center (the "project"), which is to be owned by the Paducah-McCracken County Convention Center Corporation (the "corporation"), a non-profit, charitable corporation established at the direction of the city and the county. The lease has an interest rate of 1.98 percent, principal and interest payments are to be made semi-annually beginning July 24, 2017. The maturity date of the lease is January 24, 2032. This note and the issue of which it forms a part is a general obligation of the county and the full faith, credit, and taxing power of the county are pledged to the payments due hereunder. The note is continually secured by the faith, credit, and taxing power of the county. The balance as of June 30, 2021, was \$1,407,314. Annual debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 24,158	\$ 27,743
2023	24,639	27,262
2024	25,265	26,771
2025	26,241	26,267
2026	26,071	25,747
2027-2031	1,056,742	80,513
2032	224,198	3,323
Totals	<u>\$ 1,407,314</u>	<u>\$ 217,626</u>

MCCRACKEN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(Continued)

Note 6. Long-term Debt (Continued)

B. Other Debt (Continued)

8. Convention Center and Four Rivers Centers - City of Paducah Refinance

On October 7, 2020, the McCracken County Fiscal Court (county) issued a note payable to the City of Paducah, Kentucky (city) in the amount of \$1,510,000. The note was authorized for the purpose of paying the county's 50 percent portion of the refinancing costs related to the original acquisition, construction, installation and equipping of the expansion to the Julian Carroll Convention Center and the construction of the Julian Carroll Convention Center and the construction of the Four Rivers Center for the Performing Arts (collectively, the project) and paying the county's 50 percent portion of the costs of issuance by the City of Paducah (the city) of its General Obligation Refunding Bonds, Series 2020B (the city bonds) being issued to refinance the costs of the project.

The note has an interest rate not to exceed 3 percent and interest payments are to be made semi-annually beginning December 1, 2010. Principal payments are to be made annually on June 1 with the final payment due June 1, 2026. The balance on the note as of June 30, 2021, was \$1,262,500.

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 237,500	\$ 37,875
2023	245,000	30,750
2024	252,500	23,400
2025	260,000	15,825
2026	267,500	8,025
Totals	<u>\$ 1,262,500</u>	<u>\$ 115,875</u>

C. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2021, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and					
Direct Placements	\$ 7,479,721	\$ 660,000	\$ 830,772	\$ 7,308,949	\$ 862,206
General Obligation Bonds	9,305,000		760,000	8,545,000	785,000
Revenue Bonds	1,345,000		205,000	1,140,000	215,000
Notes Payable	3,633,562	1,510,000 *	2,473,748	2,669,814	261,658
Total Long-term Debt	<u>\$ 21,763,283</u>	<u>\$ 2,170,000</u>	<u>\$ 4,269,520</u>	<u>\$ 19,663,763</u>	<u>\$ 2,123,864</u>

* See Note 6B.8

MCCRACKEN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(Continued)

Note 6. Long-term Debt (Continued)

D. Aggregate Debt Schedule

The amount of required principal and interest payments on long-term obligations at June 30, 2021, were as follows:

Fiscal Year Ended June 30	Other Debt		Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
2022	\$ 1,261,658	\$ 372,799	\$ 862,206	\$ 172,524
2023	1,289,639	338,155	1,542,997	145,397
2024	1,317,765	301,439	903,061	117,670
2025	1,161,241	264,825	921,895	92,676
2026	1,193,571	228,497	755,893	68,261
2027-2031	4,786,742	660,663	2,076,771	132,602
2032-2034	1,344,198	45,736	246,126	4,050
Totals	<u>\$ 12,354,814</u>	<u>\$ 2,212,114</u>	<u>\$ 7,308,949</u>	<u>\$ 733,180</u>

Note 7. Commitments and 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 8. 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. Effective April 1, 2021, the Kentucky Retirement Systems as an agency of the Commonwealth is now known as the Kentucky Public Pensions Authority (KPPA). The governance of CERS has been transferred to a separate 9-member board of trustees that is responsible for the governance of the CERS pension and insurance plans.

The county's contribution for FY 2019 was \$2,268,409, FY 2020 was \$2,630,471, and FY 2021 was \$2,772,868.

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.

MCCRACKEN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(Continued)

Note 8. Employee Retirement System (Continued)

Nonhazardous (Continued)

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.

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.

MCCRACKEN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(Continued)

Note 8. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

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

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

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

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.

MCCRACKEN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(Continued)

Note 8. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

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.

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, KPPA 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 Public Pensions Authority, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

KPPA 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.

MCCRACKEN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(Continued)

Note 9. Deferred Compensation

On November 9, 1982, the McCracken County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees, and employees of local political subdivisions that have elected to participate.

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

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

Note 10. Health Reimbursement Account/Flexible Spending Account

The McCracken County Fiscal Court established a flexible spending account on February 11, 2013 to provide employees an additional health benefit. The county has contracted with a third-party administrator to administer the plan. The plan provides a debit card to each eligible employee to pay for qualified medical expenses as determined by the employees' health insurance coverage. Employees may also contribute additional pre-tax funds through payroll deduction. As of June 30, 2021, the balance of the plan is \$198,468.

Note 11. Insurance

For the fiscal year ended June 30, 2021, the McCracken 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 12. Landfill Closure and Post-Closure Costs

The county landfill closed to the public on June 30, 1995. The county must comply with established state and federal landfill closure and post-closure procedures and must perform maintenance and monitoring at the site for thirty years after the closure. The 30-year period will begin upon approval from the Commonwealth of Kentucky regarding the environmental condition of the landfill site. As of June 30, 2021, final approval of the closure had not yet been granted. Closure costs for the fiscal year ended June 30, 2021 were \$4,618.

In April 2021, the City of Paducah reimbursed the county \$14,132 for its share of landfill expenses paid from April 2020 through March 2021. Estimated post-closure care costs total \$4,125,000 or \$125,000 per year plus 10 percent for inflation. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

MCCRACKEN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(Continued)

Note 12. Landfill Closure and Post-Closure Costs (Continued)

McCracken County prepares required financial statements on the regulatory basis of accounting in accordance with the laws of Kentucky, therefore, no liability has been recognized for the closure or post-closure care costs. State and federal laws and regulations require for the fiscal court to provide financial assurance that landfill closure and post-closure care costs are properly funded. In order to meet financial assurance requirements, the fiscal court entered into an inter-local agreement with the City of Paducah, Kentucky, to share equally the post-closure costs incurred during the fiscal year.

Note 13. Related Party Transaction

A county commissioner owns the ATM machines that are located in the courthouse. During fiscal year 2021, the commissioner paid the county \$95 in ATM fees.

Note 14. Prior Period Adjustments

	<u>General Fund</u>	<u>Jail Fund</u>	<u>Debt Service Fund</u>
Ending Fund Balances Prior Year	\$ 2,854,736	\$ 357,902	\$ 291,806
Adjustments:			
2021 Cash Transfers Booked in 2020	6,929		321
Prior Year Voided Checks	<u>2,043</u>	<u>20</u>	
Beginning Fund Balances - Restated	<u>\$ 2,863,708</u>	<u>\$ 357,922</u>	<u>\$ 292,127</u>

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

For The Year Ended June 30, 2021

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MCCRACKEN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2021

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 12,077,894	\$ 12,254,567	\$ 16,917,795	\$ 4,663,228
In Lieu Tax Payments	1,197,404	1,197,404	1,040,647	(156,757)
Licenses and Permits	431,119	431,119	587,883	156,764
Intergovernmental	3,534,648	3,534,648	3,832,472	297,824
Charges for Services	20,000	20,000	39,080	19,080
Miscellaneous	610,263	1,190,958	1,289,093	98,135
Interest	50,000	50,000	46,428	(3,572)
Total Receipts	<u>17,921,328</u>	<u>18,678,696</u>	<u>23,753,398</u>	<u>5,074,702</u>
DISBURSEMENTS				
General Government	4,451,210	5,073,367	4,724,414	348,953
Protection to Persons and Property	1,141,491	1,174,829	1,022,040	152,789
General Health and Sanitation	436,087	436,087	386,345	49,742
Social Services	50,000	46,751	46,213	538
Recreation and Culture	288,829	598,725	597,870	855
Airports	150,000	134,634	123,630	11,004
Bus Services	9,000	9,000		9,000
Administration	3,611,688	6,393,741	2,821,196	3,572,545
Total Disbursements	<u>10,138,305</u>	<u>13,867,134</u>	<u>9,721,708</u>	<u>4,145,426</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>7,783,023</u>	<u>4,811,562</u>	<u>14,031,690</u>	<u>9,220,128</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds		3,002,965	4,011	(2,998,954)
Transfers To Other Funds	(10,630,972)	(10,654,476)	(9,403,229)	1,251,247
Total Other Adjustments to Cash (Uses)	<u>(10,630,972)</u>	<u>(7,651,511)</u>	<u>(9,399,218)</u>	<u>(1,747,707)</u>
Net Change in Fund Balance	(2,847,949)	(2,839,949)	4,632,472	7,472,421
Fund Balance - Beginning (Restated)	<u>2,684,949</u>	<u>2,684,949</u>	<u>2,863,708</u>	<u>178,759</u>
Fund Balance - Ending	<u>\$ (163,000)</u>	<u>\$ (155,000)</u>	<u>\$ 7,496,180</u>	<u>\$ 7,651,180</u>

MCCRACKEN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2021
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 2,209,221	\$ 2,209,221	\$ 1,805,907	\$ (403,314)
Total Receipts	<u>2,209,221</u>	<u>2,209,221</u>	<u>1,805,907</u>	<u>(403,314)</u>
DISBURSEMENTS				
Roads	2,962,265	2,985,769	2,545,791	439,978
Capital Projects	497,150	497,150	21,727	475,423
Administration	704,467	704,467	622,282	82,185
Total Disbursements	<u>4,163,882</u>	<u>4,187,386</u>	<u>3,189,800</u>	<u>997,586</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,954,661)</u>	<u>(1,978,165)</u>	<u>(1,383,893)</u>	<u>594,272</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,954,661	1,978,165	1,395,000	(583,165)
Total Other Adjustments to Cash (Uses)	<u>1,954,661</u>	<u>1,978,165</u>	<u>1,395,000</u>	<u>(583,165)</u>
Net Change in Fund Balance			11,107	11,107
Fund Balance - Beginning			<u>76,273</u>	<u>76,273</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 87,380</u>	<u>\$ 87,380</u>

MCCRACKEN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2021
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 3,709,386	\$ 3,720,273	\$ 3,122,322	\$ (597,951)
Charges for Services	124,200	124,200	112,161	(12,039)
Miscellaneous	225,000	225,000	228,426	3,426
Total Receipts	<u>4,058,586</u>	<u>4,069,473</u>	<u>3,462,909</u>	<u>(606,564)</u>
DISBURSEMENTS				
Protection to Persons and Property	5,411,505	5,422,392	5,032,066	390,326
Administration	2,191,823	2,191,823	1,891,578	300,245
Total Disbursements	<u>7,603,328</u>	<u>7,614,215</u>	<u>6,923,644</u>	<u>690,571</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(3,544,742)</u>	<u>(3,544,742)</u>	<u>(3,460,735)</u>	<u>84,007</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	3,544,742	3,544,742	3,340,000	(204,742)
Total Other Adjustments to Cash (Uses)	<u>3,544,742</u>	<u>3,544,742</u>	<u>3,340,000</u>	<u>(204,742)</u>
Net Change in Fund Balance			(120,735)	(120,735)
Fund Balance - Beginning (Restated)			<u>357,922</u>	<u>357,922</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 237,187</u>	<u>\$ 237,187</u>

MCCRACKEN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2021
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 51,075	\$ 51,075	\$ 233,838	\$ 182,763
Total Receipts	51,075	51,075	233,838	182,763
DISBURSEMENTS				
Social Services	51,075	51,075		51,075
Total Disbursements	51,075	51,075		51,075
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			233,838	233,838
Net Change in Fund Balance			233,838	233,838
Fund Balance - Beginning			68,349	68,349
Fund Balance - Ending	\$ 0	\$ 0	\$ 302,187	\$ 302,187

MCCRACKEN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2021
(Continued)

	STATE GRANTS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 40,000	\$ 40,000	\$ 18,000	\$ (22,000)
Total Receipts	40,000	40,000	18,000	(22,000)
DISBURSEMENTS				
Social Services	40,000	40,000	10,000	30,000
Total Disbursements	40,000	40,000	10,000	30,000
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			8,000	8,000
Net Change in Fund Balance			8,000	8,000
Fund Balance - Beginning			32,448	32,448
Fund Balance - Ending	\$ 0	\$ 0	\$ 40,448	\$ 40,448

MCCRACKEN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2021
(Continued)

	FEDERAL GRANTS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 148,000	\$ 3,206,966	\$ 3,060,277	\$ (146,689)
Total Receipts	<u>148,000</u>	<u>3,206,966</u>	<u>3,060,277</u>	<u>(146,689)</u>
DISBURSEMENTS				
General Government	90,000	146,001	123,231	22,770
Total Disbursements	<u>90,000</u>	<u>146,001</u>	<u>123,231</u>	<u>22,770</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>58,000</u>	<u>3,060,965</u>	<u>2,937,046</u>	<u>(123,919)</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			13,229	13,229
Transfers To Other Funds	(58,000)	(3,060,965)		3,060,965
Total Other Adjustments to Cash (Uses)	<u>(58,000)</u>	<u>(3,060,965)</u>	<u>13,229</u>	<u>3,074,194</u>
Net Change in Fund Balance			2,950,275	2,950,275
Fund Balance - Beginning			<u>1,144</u>	<u>1,144</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,951,419</u>	<u>\$ 2,951,419</u>

MCCRACKEN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2021
(Continued)

	SHERIFF FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 2,136,002	\$ 2,136,002	\$ 2,242,763	\$ 106,761
Miscellaneous		30,849	30,849	
Total Receipts	<u>2,136,002</u>	<u>2,166,851</u>	<u>2,273,612</u>	<u>106,761</u>
DISBURSEMENTS				
General Government	3,517,766	3,553,849	3,466,124	87,725
Administration	2,048,364	2,051,130	2,006,667	44,463
Total Disbursements	<u>5,566,130</u>	<u>5,604,979</u>	<u>5,472,791</u>	<u>132,188</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(3,430,128)</u>	<u>(3,438,128)</u>	<u>(3,199,179)</u>	<u>238,949</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	3,593,128	3,593,128	3,095,000	(498,128)
Total Other Adjustments to Cash (Uses)	<u>3,593,128</u>	<u>3,593,128</u>	<u>3,095,000</u>	<u>(498,128)</u>
Net Change in Fund Balance	163,000	155,000	(104,179)	(259,179)
Fund Balance - Beginning			<u>356,335</u>	<u>356,335</u>
Fund Balance - Ending	<u>\$ 163,000</u>	<u>\$ 155,000</u>	<u>\$ 252,156</u>	<u>\$ 97,156</u>

MCCRACKEN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2021
(Continued)

ECONOMIC ASSISTANCE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$ 23,033	\$ 1,826,917	\$ 2,126,482	\$ 299,565
Total Receipts	23,033	1,826,917	2,126,482	299,565
DISBURSEMENTS				
General Government	6,000	202,714	199,214	3,500
Debt Service		637,414	637,414	
Administration	10,000	979,756		979,756
Total Disbursements	16,000	1,819,884	836,628	983,256
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	7,033	7,033	1,289,854	1,282,821
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	(7,033)	(7,033)		7,033
Total Other Adjustments to Cash (Uses)	(7,033)	(7,033)		7,033
Net Change in Fund Balance			1,289,854	1,289,854
Fund Balance - Beginning			802,620	802,620
Fund Balance - Ending	\$ 0	\$ 0	\$ 2,092,474	\$ 2,092,474

MCCRACKEN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2021
(Continued)

JUVENILE JUSTICE FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
DISBURSEMENTS				
Protection to Persons and Property Administration	\$ 35,000.00	\$ 35,000.00	\$	\$ 35,000.00
	10,000	10,000		10,000
Total Disbursements	45,000	45,000		45,000
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(45,000)	(45,000)		45,000
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	45,000	45,000		(45,000)
Total Other Adjustments to Cash (Uses)	45,000	45,000		(45,000)
Net Change in Fund Balance				
Fund Balance - Beginning				
Fund Balance - Ending	\$ 0	\$ 0	\$ 0	\$ 0

MCCRACKEN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2021
(Continued)

UNCLAIMED REVENUE FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Miscellaneous	\$	\$	\$ 530	\$ 530
Total Receipts			530	530
Other Adjustments to Cash (Uses)				
Transfers To Other Funds			(4,011)	(4,011)
Total Other Adjustments to Cash (Uses)			(4,011)	(4,011)
Net Change in Fund Balance			(3,481)	(3,481)
Fund Balance - Beginning			4,011	4,011
Fund Balance - Ending	\$ 0	\$ 0	\$ 530	\$ 530

MCCRACKEN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2021
(Continued)

TRANSIENT ROOM TAX FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 3,563,333	\$ 3,563,333	\$ 2,893,984	\$ (669,349)
Interest	2,000	2,000	631	(1,369)
Total Receipts	<u>3,565,333</u>	<u>3,565,333</u>	<u>2,894,615</u>	<u>(670,718)</u>
DISBURSEMENTS				
Recreation and Culture	2,844,608	2,844,608	2,145,961	698,647
Debt Service	686,712	686,712	648,733	37,979
Total Disbursements	<u>3,531,320</u>	<u>3,531,320</u>	<u>2,794,694</u>	<u>736,626</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>34,013</u>	<u>34,013</u>	<u>99,921</u>	<u>65,908</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	<u>(34,013)</u>	<u>(34,013)</u>		<u>34,013</u>
Total Other Adjustments to Cash (Uses)	<u>(34,013)</u>	<u>(34,013)</u>		<u>34,013</u>
Net Change in Fund Balance			99,921	99,921
Fund Balance - Beginning			<u>753,068</u>	<u>753,068</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 852,989</u>	<u>\$ 852,989</u>

MCCRACKEN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2021
(Continued)

AMERICAN RECOVERY PLAN ACT FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$	\$ 6,353,340	\$ 6,353,340	\$
Total Receipts		6,353,340	6,353,340	
DISBURSEMENTS				
Administration		6,353,340		6,353,340
Total Disbursements		6,353,340		6,353,340
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			6,353,340	6,353,340
Net Change in Fund Balance			6,353,340	6,353,340
Fund Balance - Beginning				
Fund Balance - Ending	\$	0	\$ 6,353,340	\$ 6,353,340

MCCRACKEN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2021
(Continued)

	DEBT SERVICE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$ 745,868	\$ 745,868	\$ 745,867	\$ (1)
Interest	500	500	9	(491)
Total Receipts	<u>746,368</u>	<u>746,368</u>	<u>745,876</u>	<u>(492)</u>
DISBURSEMENTS				
Recreation and Culture		625,290	625,290	
Debt Service	2,327,754	2,362,684	2,352,165	10,519
Administration	11,100	10,880	1,100	9,780
Total Disbursements	<u>2,338,854</u>	<u>2,998,854</u>	<u>2,978,555</u>	<u>20,299</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,592,486)</u>	<u>(2,252,486)</u>	<u>(2,232,679)</u>	<u>19,807</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds		660,000	660,000	
Transfers From Other Funds	1,592,486	1,592,486	1,560,000	(32,486)
Total Other Adjustments to Cash (Uses)	<u>1,592,486</u>	<u>2,252,486</u>	<u>2,220,000</u>	<u>(32,486)</u>
Net Change in Fund Balance			(12,679)	(12,679)
Fund Balance - Beginning (Restated)			<u>292,127</u>	<u>292,127</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 279,448</u>	<u>\$ 279,448</u>

MCCRACKEN COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2021

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.

**MCCRACKEN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For The Year Ended June 30, 2021

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**MCCRACKEN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For The Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity's Identifying Number	Provided to Subrecipient	Total Federal Expenditures
<u>U. S. Department of Homeland Security</u>				
<i>Passed-Through Kentucky Department of Emergency Management</i>				
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	4428	\$	\$ 16,613
Emergency Management Performance Grant	97.042	2000000513		<u>32,279</u>
Total U.S. Department of Homeland Security			<u>\$</u>	<u>\$ 48,892</u>
<u>U. S. Department of Housing and Urban Development</u>				
<i>Passed-Through Kentucky Department for Local Government</i>				
Community Development Block Grants/States Program	14.228	19-025	\$ 59,319	<u>\$ 59,319</u>
Total U.S. Department of Housing and Urban Development			<u>59,319</u>	<u>59,319</u>
<u>U. S. Department of Treasury</u>				
<i>Passed-Through Kentucky Department for Local Government</i>				
COVID 19-Coronavirus Relief Fund	21.019	C301	\$	\$ 1,448,541
COVID 19-Coronavirus Relief Fund	21.019	C2-076		<u>754,386</u>
Total U.S. Department of Treasury			<u>\$</u>	<u>\$ 2,202,927</u>
<u>U. S. Department of Justice</u>				
<i>Direct Program</i>				
COVID 19- Coronavirus Emergency Supplemental Funding Program	16.034	2020-VD-BX-1818	\$	\$ 56,275
Bulletproof Vest Partnership Grant	16.607	Not Available		3,716
<i>Passed-Through Kentucky Department of Justice</i>				
Violence Against Women Formula Grants	16.588	00650		32,782
Crime Victim Assistance	16.575	00117/00058		<u>63,493</u>
Total U.S. Department of Justice			<u>\$</u>	<u>\$ 156,266</u>
<u>U. S. Election Assistance Commission</u>				
<i>Passed-Through Kentucky State Board of Elections</i>				
COVID-19 HAVA Election Security Grants	90.404	SBE 20-51	\$	<u>\$ 8,132</u>
Total U.S. Election Assistance Commission			<u>\$</u>	<u>\$ 8,132</u>
Total Expenditures of Federal Awards			<u>\$ 59,319</u>	<u>\$ 2,475,536</u>

The accompanying notes are an integral part of this schedule.

MCCRACKEN COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2021

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of McCracken County, Kentucky under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of McCracken County, Kentucky, it is not intended to and does not present the financial position, changes in net assets, or cash flows of McCracken County, Kentucky.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported 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. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3. Indirect Cost Rate

McCracken County has not adopted an indirect cost rate and has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

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

For The Year Ended June 30, 2021

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MCCRACKEN COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2021

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 2,043,184	\$ 331,767	\$	\$ 2,374,951
Construction In Progress	187,648	270,221	145,648	312,221
Buildings and Building Improvements	42,631,026	364,831	2,416,982	40,578,875
Vehicles & Equipment	9,714,711	1,120,346	1,290,062	9,544,995
Infrastructure	98,612,650	886,244		99,498,894
 Total Capital Assets	 <u>\$153,189,219</u>	 <u>\$ 2,973,409</u>	 <u>\$ 3,852,692</u>	 <u>\$152,309,936</u>

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

June 30, 2021

Note 1. Capital Assets

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

	<u>Capitalization Threshold</u>	<u>Useful Life (Years)</u>
Land Improvements	\$ 20,000	20
Buildings and Building Improvements	\$ 20,000	50
Vehicles & Equipment	\$ 10,000	5-10
Infrastructure	\$ 20,000	
Unpaved Roadways		15
Paved Roadways, Subdivision Streets		25
Resurfacing		12
Bridges (All Types)		50
Sidewalks (All Types)		30
Office Equipment	\$ 10,000	5

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

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Craig Z. Clymer, McCracken County Judge/Executive
Members of the McCracken 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 McCracken County Fiscal Court for the fiscal year ended June 30, 2021, and the related notes to the financial statement which collectively comprise the McCracken County Fiscal Court's financial statement and have issued our report thereon dated December 10, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the McCracken 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 McCracken County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the McCracken 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 have not been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, 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 Questioned Costs as item 2021-001 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 McCracken 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 Officials and Planned Corrective Action

McCracken County's views and planned corrective action for the findings identified in our audit are included in the accompanying Schedule of Findings and Questioned Costs. 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,

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

December 10, 2021

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Craig Z. Clymer, McCracken County Judge/Executive
Members of the McCracken County Fiscal Court

Report On Compliance For Each Major Federal Program
And Report On Internal Control Over Compliance
In Accordance With The Uniform Guidance

Independent Auditor's Report

Report on Compliance for Each Major Federal Program

We have audited the McCracken County Fiscal Court's compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the McCracken County Fiscal Court's major federal programs for the year ended June 30, 2021. The McCracken County Fiscal Court's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the McCracken County Fiscal Court's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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 requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the McCracken County Fiscal Court's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the McCracken County Fiscal Court's compliance.



Report On Compliance For Each Major Federal Program
And Report On Internal Control Over Compliance
In Accordance With The Uniform Guidance
(Continued)

Opinion on Each Major Federal Program

In our opinion, the McCracken County Fiscal Court complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of the McCracken County Fiscal Court is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the McCracken County Fiscal Court's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the McCracken County Fiscal Court's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

December 10, 2021

**MCCRACKEN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For The Year Ended June 30, 2021

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**MCCRACKEN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For The Year Ended June 30, 2021

Section I: Summary of Auditor's Results

Financial Statement

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Adverse on GAAP and Unmodified on Regulatory Basis

Internal control over financial reporting:

Are any material weaknesses identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Are any significant deficiencies identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Are any noncompliances material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Federal Awards

Internal control over major programs:

Are any material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are any significant deficiencies identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Type of auditor's report issued on compliance for major federal programs: Unmodified		
Are any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
21.019	COVID 19-Coronavirus Relief Fund

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000	
Auditee qualified as a low-risk auditee?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

MCCRACKEN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2021
(Continued)

Section II: Financial Statement Findings

Internal Control - Material Weakness

2021-001 The McCracken County Fiscal Court Failed To Implement Internal Controls Over Disbursements

The McCracken County Fiscal Court failed to implement internal controls over disbursements. During our testing of the disbursements of the McCracken County Fiscal Court, we noted the following issues:

- Twenty-seven out of 43 disbursements tested did not have purchase orders.
- Six out of 43 disbursements were not coded to the proper account code.
- Departments of the county utilize fleet cards for fuel purchases. However, the disbursements are not reviewed by fiscal court, and documentation of reviews conducted by the departments was not sufficient.

According to the county treasurer, individuals sometimes make purchases prior to requesting purchase orders. In these instances, the fiscal court will issue payment requests when invoices are received. Additionally, fuel card disbursements are not reviewed by anyone in the finance office because the fiscal court relies on the individual departments to review the transactions.

The issues noted above could result in line-items being over budget, claims being paid which are not valid obligations of the fiscal court, inaccurate reporting, and misappropriation of assets.

Strong internal controls require purchase orders be approved and issued prior to items being ordered and expenses being incurred. Also, strong internal controls dictate that disbursements be coded to the proper accounts. These controls help ensure that the county will be within budget constraints before any liability is incurred. Furthermore, strong internal controls require the fiscal court to review fuel card transactions to ensure they are valid obligations of the fiscal court.

KRS 68.210 gives the state local finance officer the authority to prescribe a system of uniform accounts. The Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual* outlines requirements for counties' handling of public funds, including required purchasing procedures for counties.

We recommend that the McCracken County Fiscal Court strengthen internal controls over disbursement by ensuring that purchase orders are issued prior to all purchases being made. Additionally, we recommend the fiscal court ensure disbursements are coded to the proper account codes. Furthermore, we recommend the fiscal court review fuel card transactions and document each review.

MCCRACKEN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2021
(Continued)

Section II: Financial Statement Findings (Continued)

Internal Control - Material Weakness (Continued)

2021-001 The McCracken County Fiscal Court Failed To Implement Internal Controls Over Disbursements
 (Continued)

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: The county does not feel that all of the items noted for no PO's were correct.

- 1.) McCracken County does not issue PO's for any amount of less \$100.00
- 2.) McCracken County does not issue PO's for any accounts approved by DLG per Standing Order.
- 3.) McCracken County does not issue PO's for purchases that have been separately approved by court orders.
- 4.) McCracken County does not issue PO's for amounts paid on contracts that have been separately approved by court orders.
- 5.) McCracken County does not issue PO's for reimbursing of petty cash funds.
- 6.) McCracken County does not issue PO's for jail medical expenses due to the nature of such expenses.

The finance office will now get an email from departments stating they have reviewed and approve the monthly fuel purchase invoice.

Section III: Federal Award Findings And Questioned Costs

None.

Section IV: Summary Schedule of Prior Audit Findings

Finding Number	Prior Year Finding Title	Status	Corrective Action
2020-001	The McCracken County Jail Lacks Adequate Controls Over The Inmate Fund	Resolved	N/A
2020-002	The McCracken County Fiscal Court Did Not Approve Cash Transfers Prior To Making Them	Resolved	N/A
2020-003	The McCracken County Jail Purchased Vehicles With Canteen Funds For Inmate Transports	Resolved	N/A
2020-004	The McCracken County Fiscal Court Submitted Ineligible Expenses For Reimbursement From The Coronavirus Relief Fund	Resolved	N/A

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

MCCRACKEN COUNTY FISCAL COURT

For The Year Ended June 30, 2021

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CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
COUNTY FISCAL COURT

For The Year Ended June 30, 2020

The McCracken 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