

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

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



**MIKE HARMON
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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
The Honorable Curtis Dame, McLean County Judge/Executive
Members of the McLean 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 McLean County Fiscal Court, for the year ended June 30, 2020, and the related notes to the financial statement which collectively comprise the McLean County Fiscal Court's financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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



To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
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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 McLean 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 McLean County Fiscal Court as of June 30, 2020, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

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

Other Matters

Supplementary and Other Information

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

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2021, on our consideration of the McLean County Fiscal Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the McLean County Fiscal Court's internal control over financial reporting and compliance.

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

- 2020-001 The McLean County Fiscal Court Failed To Implement Adequate Internal Controls To Ensure Complete And Accurate Accounting Records Were Maintained
- 2020-002 The McLean County Fiscal Court Failed To Implement Adequate Internal Controls Over Cash Processes And Financial Reporting
- 2020-003 The McLean County Fiscal Court Failed To Implement Adequate Internal Controls Over Debt And Debt Service
- 2020-004 The McLean County Fiscal Court Failed To Implement Sufficient Internal Controls Over Their Service Organization's Collection Of Ambulance Receipts
- 2020-005 The McLean County Fiscal Court Failed To Implement Adequate Internal Controls Over The Collection Of Receipts At Off-Site Locations
- 2020-006 McLean County Fiscal Court Does Not Have Adequate Internal Controls Over Payroll Processing
- 2020-007 The McLean County Treasurer Failed To Reconcile The Payroll Revolving Account
- 2020-008 The McLean County Judge/Executive Failed To Require Encumbrances To Be Properly Reported On The Fourth Quarter Financial Report
- 2020-009 The McLean County Fiscal Court Did Not Have Adequate Controls Over Disbursements And Credit Card Transactions

Respectfully submitted,



Mike Harmon
 Auditor of Public Accounts

June 10, 2021

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

Curtis Dame	County Judge/Executive
Robert Bishop	Magistrate
Clay Troutman	Magistrate
Matt Hayden	Magistrate
Joseph Lowery	Magistrate

Other Elected Officials:

Donna Dant	County Attorney
Chris Ellis	Jailer
Carol Eaton	County Clerk
Stephanie King	Circuit Court Clerk
Kenneth Frizzell	Sheriff
Dale Ayer	Property Valuation Administrator
John Muster	Coroner

Appointed Personnel:

Belinda Stirsman	County Treasurer
Dana Mason	Finance Officer/Occupational Tax Administrator

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

For The Year Ended June 30, 2020

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

For The Year Ended June 30, 2020

	<u>Budgeted Funds</u>		
	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>
RECEIPTS			
Taxes	\$ 1,745,796	\$ 118,650	\$
Excess Fees	50,733		
Licenses and Permits	4,102		
Intergovernmental	218,542	1,868,433	80,216
Charges for Services	37,636		
Miscellaneous	207,205	14,900	5,270
Interest	292	474	19
Total Receipts	<u>2,264,306</u>	<u>2,002,457</u>	<u>85,505</u>
DISBURSEMENTS			
General Government	1,087,362	28,000	
Protection to Persons and Property	17,820		170,967
General Health and Sanitation	108,459	20,914	
Social Services	3,360		
Recreation and Culture	51,372		
Roads		1,323,407	
Debt Service	171,988	158,954	
Capital Projects			
Administration	635,035	214,340	26,607
Total Disbursements	<u>2,075,396</u>	<u>1,745,615</u>	<u>197,574</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>188,910</u>	<u>256,842</u>	<u>(112,069)</u>
Other Adjustments to Cash (Uses)			
Financing Obligation Proceeds	254,002	139,433	3,504
Change in Payroll Revolving Account	2,460		
Transfers From Other Funds	123,618		122,592
Transfers To Other Funds	(487,882)	(123,513)	
Total Other Adjustments to Cash (Uses)	<u>(107,802)</u>	<u>15,920</u>	<u>126,096</u>
Net Change in Fund Balance	81,108	272,762	14,027
Fund Balance - Beginning (Restated)	25,092	44,230	(12,095)
Fund Balance - Ending	<u>\$ 106,200</u>	<u>\$ 316,992</u>	<u>\$ 1,932</u>
Composition of Fund Balance			
Bank Balance	\$ 99,224	\$ 319,977	\$ 5,896
Payroll Revolving Account Reconciled Balance	20,100		
Less: Outstanding Checks	(13,124)	(4,344)	(3,964)
Certificates of Deposit		1,359	
Fund Balance - Ending	<u>\$ 106,200</u>	<u>\$ 316,992</u>	<u>\$ 1,932</u>

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

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

Budgeted Funds						
Local Government Economic Assistance Fund	Federal Grants Fund	Ambulance Fund	Fire Department Fund	Local Government Economic Development Fund	Eastern State Aid Fund	911 Fund
\$	\$	\$	\$	\$	\$	\$ 37,140
684,700	22,233	602,847	888	193,220	11,093	151,835
40,402		12,074	31			
559		2,827	35		32	14
<u>725,661</u>	<u>22,233</u>	<u>617,748</u>	<u>954</u>	<u>193,220</u>	<u>11,125</u>	<u>188,989</u>
22,528		578,644	31,926			274,290
13,028						
91,873						
257,264				193,297		
10,000						
		242,529				73,554
<u>394,693</u>		<u>821,173</u>	<u>31,926</u>	<u>193,297</u>		<u>347,844</u>
330,968	22,233	(203,425)	(30,972)	(77)	11,125	(158,855)
1,500		115,206		116,839		21,998
		204,444	12,500	77	22,010	168,239
(77,595)	(16,000)	(105)	(72,651)	(116,839)	(93)	
<u>(76,095)</u>	<u>(16,000)</u>	<u>319,545</u>	<u>(60,151)</u>	<u>77</u>	<u>21,917</u>	<u>190,237</u>
254,873	6,233	116,120	(91,123)		33,042	31,382
28,970		5,324	121,979			(18,325)
<u>\$ 283,843</u>	<u>\$ 6,233</u>	<u>\$ 121,444</u>	<u>\$ 30,856</u>	<u>\$ 0</u>	<u>\$ 33,042</u>	<u>\$ 13,057</u>
\$ 268,826	\$ 6,233	\$ 131,510	\$ 30,856	\$	\$ 33,042	\$ 13,057
		(10,066)				
<u>15,017</u>						
<u>\$ 283,843</u>	<u>\$ 6,233</u>	<u>\$ 121,444</u>	<u>\$ 30,856</u>	<u>\$ 0</u>	<u>\$ 33,042</u>	<u>\$ 13,057</u>

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

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

	Budgeted Funds			
	Western Fire Department Savings Fund	Senior Citizens Fund	Western Fire Department Fund	Central Fire Department Fund
RECEIPTS				
Taxes	\$	\$	\$	\$
Excess Fees				
Licenses and Permits				
Intergovernmental	11,000	38,757		14,200
Charges for Services			28,646	55,554
Miscellaneous		800	4,444	2,795
Interest	1	6	420	83
Total Receipts	<u>11,001</u>	<u>39,563</u>	<u>33,510</u>	<u>72,632</u>
DISBURSEMENTS				
General Government				
Protection to Persons and Property			8,235	19,742
General Health and Sanitation				
Social Services		148,324		
Recreation and Culture				
Roads				
Debt Service				
Capital Projects				
Administration	30	44,529		
Total Disbursements	<u>30</u>	<u>192,853</u>	<u>8,235</u>	<u>19,742</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>10,971</u>	<u>(153,290)</u>	<u>25,275</u>	<u>52,890</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds		13,052		
Change in Payroll Revolving Account				
Transfers From Other Funds	30	149,500	23,463	14,649
Transfers To Other Funds			(30)	
Total Other Adjustments to Cash (Uses)	<u>30</u>	<u>162,552</u>	<u>23,433</u>	<u>14,649</u>
Net Change in Fund Balance	11,001	9,262	48,708	67,539
Fund Balance - Beginning (Restated)		2,578		
Fund Balance - Ending	<u>\$ 11,001</u>	<u>\$ 11,840</u>	<u>\$ 48,708</u>	<u>\$ 67,539</u>
Composition of Fund Balance				
Bank Balance	\$ 11,001	\$ 11,910	\$ 25,367	\$ 54,661
Payroll Revolving Account Reconciled Balance				
Less: Outstanding Checks		(70)	(525)	(1,814)
Certificates of Deposit			23,866	14,692
Fund Balance - Ending	<u>\$ 11,001</u>	<u>\$ 11,840</u>	<u>\$ 48,708</u>	<u>\$ 67,539</u>

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

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

<u>Budgeted Fund</u>			<u>Unbudgeted Fund</u>	
<u>Eastern Fire Department Fund</u>	<u>Southern Fire Department Fund</u>	<u>Southeastern Fire Department Fund</u>	<u>Justice Center Corporation Fund</u>	<u>Total Funds</u>
\$	\$	\$	\$	\$ 1,901,586
				50,733
				4,102
		11,000	249,888	3,555,117
32,249	29,506	16,209		803,535
50	524	523		289,018
	11		93	4,866
<u>32,299</u>	<u>30,041</u>	<u>27,732</u>	<u>249,981</u>	<u>6,608,957</u>
				1,115,362
1,246	13,848	16,405		1,155,651
				129,373
				164,712
				51,372
				1,415,280
			248,888	1,030,391
				10,000
			1,000	1,237,624
<u>1,246</u>	<u>13,848</u>	<u>16,405</u>	<u>249,888</u>	<u>6,309,765</u>
<u>31,053</u>	<u>16,193</u>	<u>11,327</u>	<u>93</u>	<u>299,192</u>
				665,534
				2,460
41,057	12,529			894,708
				(894,708)
<u>41,057</u>	<u>12,529</u>			<u>667,994</u>
72,110	28,722	11,327	93	967,186
			4,023	201,776
<u>\$ 72,110</u>	<u>\$ 28,722</u>	<u>\$ 11,327</u>	<u>\$ 4,116</u>	<u>\$ 1,168,962</u>
\$ 72,140	\$ 23,704	\$ 11,393	\$ 4,116	\$ 1,122,913
				20,100
(30)		(66)		(34,003)
	5,018			59,952
<u>\$ 72,110</u>	<u>\$ 28,722</u>	<u>\$ 11,327</u>	<u>\$ 4,116</u>	<u>\$ 1,168,962</u>

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

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TO THE FINANCIAL STATEMENT**

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**MCLEAN COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2020

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

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

Federal Grants Fund - The primary purpose of this fund is to account for the federal grants and related disbursements. The primary source of receipts for this fund are grants from the federal government.

Ambulance Fund - The primary purpose of this fund is to account for the county's ambulance service. The primary source of receipts for this fund are grants and fees for services.

Fire Department Fund - The primary purpose of this fund is to account for the county's emergency services. The primary sources of receipts for this fund are grants and fire dues.

Local Government Economic Development Fund - The primary purpose of this fund is to account for the activities of the county's effort for economic development. The primary sources of receipts for this fund are state grants.

Eastern State Aid Fund - The primary purpose of this fund is to account for the county's emergency services. The primary sources of receipts for this fund are state grants.

911 Fund - The primary purpose of this fund is to account county's 911 services. The primary sources of receipts for this fund is 911 telephone surcharges.

Western Fire Department Savings Fund - The primary purpose of this fund is to account for the county's emergency services. The primary sources of receipts for this fund are state grants.

Senior Citizens Fund - The primary purpose of this fund is to account for the activity of the senior citizens center. The primary source of receipts for this fund is grants and fees for meals.

Western Fire Department Fund - The primary purpose of this fund is to account for the county's emergency services. The primary sources of receipts for this fund are grants and fire dues.

Central Fire Department Fund - The primary purpose of this fund is to account for the county's emergency services. The primary sources of receipts for this fund are grants and fire dues.

Eastern Fire Department Fund - The primary purpose of this fund is to account for the county's emergency services. The primary sources of receipts for this fund are grants and fire dues.

Southern Fire Department Fund - The primary purpose of this fund is to account for the county's emergency services. The primary sources of receipts for this fund are grants and fire dues.

Southeastern Fire Department Fund - The primary purpose of this fund is to account for the county's emergency services. The primary sources of receipts for this fund are grants and fire dues.

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Unbudgeted Fund

The fiscal court reports the following unbudgeted fund:

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

D. Budgetary Information

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

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

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

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

E. McLean County Elected Officials

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments

The government's fund balance is considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition. The government's fund balance includes cash and cash equivalents and investments.

KRS 66.480 authorizes the county to invest in obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

G. Long-term Obligations

The fund financial statement recognizes bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as disbursements. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as disbursements. Debt proceeds are reported as other adjustments to cash.

H. Jointly Governed Organizations and Joint Ventures

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

Four Star Regional Industrial Park
 Green River Regional Industrial Development Authority (GRRIDA)
 Paradise Industrial Park
 McLean County Park Board
 McLean County Cemetery Board

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 McLean County Fiscal Court:

McLean Joint City - County Planning Commission
 Connect GRADD

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.

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

Note 2. Deposits (Continued)

In order to be perfected in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the fiscal court and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

Custodial Credit Risk - Deposits

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

Note 3. Transfers

Cash Transfers:

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

	General Fund	Road Fund	LGEA Fund	Federal Grants Fund	Ambulance	Fire Department Fund	LGEDF Fund	Eastern State Aid Fund	Western Fire Department Fund	Total Transfers In
General Fund	\$	\$ 123,513	\$	\$	\$ 105	\$	\$	\$	\$	\$ 123,618
Jail Fund	100,500		22,092							122,592
Ambulance Fund	71,605			16,000			116,839			204,444
Fire Department Fund	12,500									12,500
LGEDF Fund	77									77
Eastern State Aid Fund						22,010				22,010
911 Fund	153,700		14,539							168,239
Western Fire Department Savings Fund									30	30
Senior Citizens Fund	149,500									149,500
Western Fire Department Fund						23,463				23,463
Central Fire Department Fund						14,649				14,649
Eastern Fire Department Fund			40,964					93		41,057
Southern Fire Department Fund						12,529				12,529
Total Transfers Out	\$ 487,882	\$ 123,513	\$ 77,595	\$ 16,000	\$ 105	\$ 72,651	\$ 116,839	\$ 93	\$ 30	\$ 894,708

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.

The fire department fund transfer out in the amount of \$72,651 is necessary to move certificates of deposits and savings accounts to the appropriate fire department funds, due to the fiscal court creating new fire department funds during the fiscal year.

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

Note 4. Custodial Funds

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

The fiscal court has the following custodial fund:

Senior Citizens/GRADD Fund - This fund accounts for donations received from senior meals and are paid over to the Green River Area Development District (GRADD) on a monthly basis. The balance in the senior citizens/GRADD fund as of June 30, 2020, was \$12.

Note 5. Short-term Debt

A. Direct Borrowings and Direct Placements

1. Tractor With Slope Mower

On July 1, 2019, the McLean County Fiscal Court entered into a promissory note and loan agreement with First State Bank in the amount of \$28,227 for the purchase of a tractor with slope mower. The interest rate is fixed at 3.50%. One principal payment of \$28,227 plus interest is due on July 1, 2020. This note is secured by a 2008 tractor with slope mower. Upon default, including failure to pay upon final maturity, the interest rate on this note shall be increased to 12.00% per annum. However, in no event will the interest rate exceed the maximum interest rate limitations under applicable law. Additionally, upon default, the lender may declare the entire unpaid principal balance under this note and all accrued unpaid interest immediately due, and the borrower will pay that amount. The principal balance at June 30, 2020, was \$0.

2. Bank Loan

On July 2, 2019, the McLean County Fiscal Court entered into an agreement with First State Bank in the amount of \$120,200 in order to be able to meet their payroll. The interest rate is fixed at 4.00%. One principal payment of \$120,200 plus interest is due on August 2, 2019. Upon default, including failure to pay upon final maturity, the interest rate on this note shall be increased to 12.00% per annum. However, in no event will the interest rate exceed the maximum interest rate limitations under applicable law. Additionally, upon default, the lender may declare the entire unpaid principal balance under this note and all accrued unpaid interest immediately due, and the borrower will pay that amount. The balance of this loan as of June 30, 2020, was \$0.

3. Line of Credit

On July 10, 2019, the McLean County Fiscal Court entered into an another agreement with First State Bank in the amount of \$499,000 for a promissory note to be used as a line of credit. The interest rate is fixed at 4.00%. One payment of all outstanding principal plus all accrued unpaid interest is due on June 30, 2020. Upon default, including failure to pay upon final maturity, the interest rate on this note shall be increased to 12.00% per annum. However, in no event will the interest rate exceed the maximum interest rate limitations under applicable law. Additionally, upon default, the lender may declare the entire unpaid principal balance under this note and all accrued unpaid interest immediately due, and the borrower will pay that amount. An initial draw in the amount \$120,200 was made on July 18, 2019, to pay-off the original bank loan. During fiscal year 2020 an additional \$396,907 was borrowed against this line of credit and \$517,107 has been paid in principal and \$2,787 in interest. The balance on the line of credit as of June 30, 2020, was \$0.

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

Note 5. Short-term Debt (Continued)

B. Changes In Short-term Debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	\$	\$ 665,534	\$ 665,534	\$	\$
Total Short-term Debt	\$ 0	\$ 665,534	\$ 665,534	\$ 0	\$ 0

Note 6. Long-term Debt

A. Direct Borrowings and Direct Placements

1. Sewer Project

On July 26, 2001, the McLean County Fiscal Court entered into a lease agreement with Kentucky Association of Counties Leasing Trust in the amount of \$400,000 for the construction of and improvements to the McLean County sewer system. The interest rate is variable, with payments due monthly for 20 years. There are no moneys, sources of funds, securities or obligations that have been, or will be, pledged as collateral for the payment of principal of, premium, if any, or interest on the lease.

Whenever any event of default has occurred and is continuing, the lessor may (or upon the direction of the credit facility provider shall) or the credit facility provider may, without any further demand or notice, take one or any combination of the following remedial steps:

- (a) Terminate the lease term and file notice to the lessee to vacate or surrender the project within 60 days from the date of such notice;
- (b) Sell or re-lease the project or any portion thereof;
- (c) Recover from the lessee:
 - (i) The lease rental payments which would otherwise have been payable hereunder during any period in which the lessee continues to use, occupy or retain possession of the project; and
 - (ii) Lease rental payments which would otherwise have been payable hereunder after the lessee vacates or surrenders the project during the remainder of the fiscal year in which such event of default occurs; or
- (d) Take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the project under this lease and any collateral documents (including, without limitation, the right to possession of the project and the right to sell or re-lease or otherwise dispose of the project in accordance with applicable law), subject, however, to the limitations contained in this lease with respect to the lessee's obligations upon the occurrence of an event of nonappropriation; and/or take whatever action at law or in equity may appear necessary or desirable to enforce performance by the lessee of the applicable covenants and agreements of the lessee under this lease (subject, however, to the limitation thereon contained in this lease) and to recover damages for the breach thereof.

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

Note 6. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

1. Sewer Project (Continued)

The principal balance at June 30, 2020, was \$30,000. Future interest and principal requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	<u>\$ 30,000</u>	<u>\$ 945</u>
Totals	<u>\$ 30,000</u>	<u>\$ 945</u>

2. Park Improvements

On September 8, 2008, the McLean County Fiscal Court entered into a lease agreement with Kentucky Association of Counties Leasing Trust in the amount of \$275,000 for the purpose of improving county parks. The interest rate is variable, with payments due monthly for 25 years. There are no moneys, sources of funds, securities or obligations that have been, or will be, pledged as collateral for the payment of principal of, premium, if any, or interest on the lease.

Whenever any event of default has occurred and is continuing, the lessor may (or upon the direction of the credit facility provider shall) or the credit facility provider may, without any further demand or notice, take one or any combination of the following remedial steps:

- (a) Terminate the lease term and give notice to the lessee to vacate or surrender the project within 60 days from the date of such notice;
- (b) Sell or re-lease the project or any portion thereof;
- (c) Recover from the lessee:
 - (iii) The lease rental payments which would otherwise have been payable hereunder during any period in which the Lessee continues to use, occupy or retain possession of the project; and
 - (iv) Lease rental payments which would otherwise have been payable hereunder after the lessee vacates or surrenders the project during the remainder of the fiscal year in which such event of default occurs; or
- (d) Take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the project under this lease and any collateral documents (including, without limitation, the right to possession of the project and the right to sell or re-lease or otherwise dispose of the project in accordance with applicable law), subject, however, to the limitations contained in this lease with respect to the lessee's obligations upon the occurrence of an event of non-appropriation; and/or take whatever action at law or in equity may appear necessary or desirable to enforce performance by the lessee of the applicable covenants and agreements of the lessee under this lease (subject, however, to the limitation thereon contained in this lease) and to recover damages for the breach thereof.

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

Note 6. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

2. Park Improvements (Continued)

The principal balance at June 30, 2020, was \$143,862. Future interest and principal requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 10,000	\$ 9,257
2022	10,000	8,628
2023	10,000	8,003
2024	10,000	7,384
2025	10,000	6,748
2026-2030	60,000	24,091
2031-2033	<u>33,862</u>	<u>4,353</u>
Totals	<u>\$ 143,862</u>	<u>\$ 68,464</u>

3. Courthouse Renovations Refinance

On November 30, 2012, the McLean County Fiscal Court entered into a lease agreement with Kentucky Association of Counties Leasing Trust in the amount of \$220,000 for the purpose of refinancing a lease agreement dated December 3, 2011, by and between the Kentucky Area Development Districts Financing Trust and the County of McLean County, Kentucky, proceeds of which were used to complete the renovations of the McLean County Courthouse. The interest rate is variable, with payments due until February 1, 2028. There are no moneys, sources of funds, securities or obligations that have been, or will be, pledged as collateral for the payment of principal of, premium, if any, or interest on the financing agreement.

Whenever any event of default has occurred and is continuing, the lessor may, without any further demand or notice, take one or any combination of the following remedial steps:

- (a) By appropriate court action, enforce the pledge as set forth in section 2 of the ordinance and section 11 of this lease so that during the remaining lease term there is levied on all the taxable property in the lessee, in addition to all other taxes, without limitation as to the rate or amount, a direct tax annually in an amount sufficient to pay the lease rental payments when and as due;
- (b) Take legal title to, and sell or re-lease the project of any portion thereof;
- (c) Take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the project under this lease (including, without limitation, the right to possession of the project and the right to sell or re-lease or otherwise dispose of the project in accordance with applicable law); and/or take whatever action at law or in equity may appear necessary or desirable to enforce performance by the lessee of the applicable covenants and agreements of the lessee under this lease (subject, however, to the limitations thereon contained in this lease) and to recover damages for the breach thereof.

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

Note 6. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

3. Courthouse Renovations Refinance (Continued)

The principal balance at June 30, 2020, was \$125,000. Future interest and principal requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 15,000	\$ 3,885
2022	15,000	3,548
2023	15,000	3,195
2024	15,000	2,813
2025	15,000	2,400
2026-2028	<u>50,000</u>	<u>4,312</u>
Totals	<u>\$ 125,000</u>	<u>\$ 20,153</u>

4. Excavator

On April 25, 2018, the McLean County Fiscal Court entered into a promissory note and loan agreement with First State Bank in the amount of \$115,858 for the purchase of an excavator for the road department. The interest rate is fixed at 2.99%. Payments of principal and interest are due monthly for 48 months. This note is secured by a 2018 excavator model 107728. Upon default, including failure to pay upon final maturity, the interest rate on this note shall be increased to 12.00% per annum. However, in no event will the interest rate exceed the maximum interest rate limitations under applicable law. Additionally, upon default, the lender may declare the entire unpaid principal balance under this note and all accrued unpaid interest immediately due, and the borrower will pay that amount. The principal balance at June 30, 2020, was \$54,798.

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 29,530	\$ 1,237
2022	<u>25,268</u>	<u>366</u>
Totals	<u>\$ 54,798</u>	<u>\$ 1,603</u>

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

Note 6. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

5. Ambulance

On May 29, 2019, the McLean County Fiscal Court entered into a promissory note and loan agreement with First State Bank in the amount of \$90,741 for the purchase of an ambulance. The interest rate is fixed at 3.50%. Payments of principal and interest are due annually for five years with a final balloon payment due in the sixth year. This Note is secured by a 2018 ambulance. Upon default, including failure to pay upon final maturity, the interest rate on this note shall be increased to 12.00% per annum. However, in no event will the interest rate exceed the maximum interest rate limitations under applicable law. Additionally, upon default, the lender may declare the entire unpaid principal balance under this note and all accrued unpaid interest immediately due, and the borrower will pay that amount. The principal balance at June 30, 2020, was \$80,980.

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 7,097	\$ 2,881
2022	7,372	2,628
2023	7,634	2,366
2024	7,906	2,094
2025	50,971	1,817
Totals	<u>\$ 80,980</u>	<u>\$ 11,786</u>

B. Other Debt

1. Series 2010 First Mortgage Refunding Revenue Bonds

On November 30, 2010, the McLean County Justice Center Corporation issued First Mortgage Refunding Revenue Bonds, Series 2010, in the amount of \$2,570,000. The bonds were dated November 30, 2010, payable semi-annually on March 1 and September 1, beginning March 1, 2011. The interest rate on the bonds ranges from 2.0% to 4.0%. The McLean County Fiscal Court has a sublease with Administrative Office of the Courts, Commonwealth of Kentucky, for approximately 100% of the McLean County Judicial Center. The bonds were issued in denominations of \$5,000 each or integral multiples thereof and mature at various dates beginning March 1, 2015 through March 1, 2027.

The fiscal court issued the bonds to refund the First Mortgage Revenue Bonds, Series 2001A, due on or after March 1, 2011. The refunding of the series 2001A bonds have been accomplished pursuant to the escrow agreement by and between the county and U.S. Bank, National Association, the paying agent for the series 2001A bonds (the "escrow agent") by depositing with the escrow agent a sum of initial cash provided from the proceeds of the bonds.

Amounts deposited with the escrow agent bear interest at such rates and will be scheduled to mature at such times and in such amounts so that, when paid according to their respective terms, sufficient moneys together with any amounts of cash then on deposit with the escrow agent, will be available to fully provide for the scheduled principal and interest payments outstanding for the series 2001A bonds.

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

Note 6. Long-term Debt (Continued)

B. Other Debt (Continued)

1. Series 2010 First Mortgage Refunding Revenue Bonds (Continued)

In order to secure the payment of the principal of, interest on, and premium, if any, on the bonds, the corporation has executed a mortgage to the trustee for the security, benefit and protection of the owners of the bonds, as a first priority mortgage lien upon the project site, together with all improvements constructed and installed thereon constituting the project and, pursuant to the mortgage, all rights, title and interest of the corporation in and to the lease, the proceeds of the bonds, the project, the pledged receipts, as defined in the mortgage, and all payments to be made by the county and/or AOC, pursuant to the lease (except the operating cost allowance) shall be, upon issuance of the bonds, assigned by the corporation to the trustee.

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

- (a) by enforcement of the foreclosable mortgage lien on the project site and improvements granted by the mortgage, and in such event the trustee will take over possession, custody and control of the project and will operate or carry out decretal sale of same with due regard to state and federal law and the covenants contained in the lease for the benefit of the owners of the bonds. Provided, however, that no such foreclosure sale will result in a deficiency judgment of any type or in any amount against AOC, the county or the corporation, and until such sale the county may at any time by the discharge of the bonds and interest and any premium thereon receive an unencumbered fee simple title to the mortgaged facilities; provided that in the event of any such enforcement of said lien by the trustee, there will first be paid all expenses incident to said document, and thereafter the bonds then outstanding will be paid and retired;
- (b) 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;
- (c) by bringing suit upon the bonds;
- (d) 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;
- (e) by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the owners of the bonds;
- (f) by declaring all bonds due and payable, and if all defaults will be made good, then, with the written consent of the owners of not less than twenty-five percent (25%) in a principal amount of the outstanding bonds, by annulling such declaration and its consequences; and
- (g) in the event that all 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 chooses 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.

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

Note 6. Long-term Debt (Continued)

C. Other Debt (Continued)

1. Series 2010 First Mortgage Refunding Revenue Bonds (Continued)

Principal outstanding as of June 30, 2020, was \$1,460,000. Future debt service requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 190,000	\$ 54,188
2022	200,000	48,250
2023	205,000	41,750
2024	205,000	34,575
2025	215,000	27,400
2026-2027	445,000	27,800
Totals	<u>\$ 1,460,000</u>	<u>\$ 233,963</u>

C. Aggregate Debt Schedules

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

Fiscal Year Ended June 30	Direct Borrowings and Direct Placements		Other Debt	
	Principal	Interest	Principal	Interest
2021	\$ 91,627	\$ 18,205	\$ 190,000	\$ 54,188
2022	57,640	15,170	200,000	48,250
2023	32,634	13,564	205,000	41,750
2024	32,906	12,291	205,000	34,575
2025	75,971	10,965	215,000	27,400
2026-2030	110,000	28,403	445,000	27,800
2031-2033	33,862	4,353		
Totals	<u>\$ 434,640</u>	<u>\$ 102,951</u>	<u>\$ 1,460,000</u>	<u>\$ 233,963</u>

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

Note 6. Long-term Debt (Continued)

D. Changes In Long-term Debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	\$ 528,335	\$	\$ 93,695	\$ 434,640	\$ 91,649
Other Debt	1,650,000		190,000	1,460,000	190,000
Total Long-term Debt	<u>\$ 2,178,335</u>	<u>\$</u>	<u>\$ 283,695</u>	<u>\$ 1,894,640</u>	<u>\$ 281,649</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. Commitment Debt

The McLean County Fiscal Court entered into an Interlocal and Joint Ownership Agreement with the City of Sacramento on August 28, 2020. As part of this agreement, the McLean County Fiscal Court has agreed to pay the unsecured debt at Sacramento Deposit Bank according to the terms of the note from Southern District's fire fund account. This indebtedness was incurred towards the construction (fire station) on the improvements to the real property. The current outstanding balance of the note at June 30, 2020 was \$31,057.

Note 9. Employee Retirement System

The fiscal court has elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which is administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). This is a cost-sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute.

The county's contribution for FY 2018 was \$419,786, FY 2019 was \$435,964, and FY 2020 was \$434,675.

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.

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

Note 9. 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.

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.

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

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

Note 9. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

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

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

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

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

C. Cost of Living Adjustments - Tier 1

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

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

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

E. Death Benefit

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

KRS Annual Financial Report and Proportionate Share Audit Report

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

KRS also issues proportionate share audit reports for both total pension liability and other post-employment benefits for CERS determined by actuarial valuation as well as each participating county's proportionate share. 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.

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

Note 10. Deferred Compensation

The McLean 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 11. Insurance

For the fiscal year ended June 30, 2020, the McLean 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. Subsequent Events

- A. On July 23, 2020, the McLean County Fiscal Court entered into an agreement with Farmers Bank and Trust Company in the amount of \$300,000 for operating purposes. To date \$811,776 has been borrowed against this line of credit and \$766,211 has been paid in principal and \$4,299 in interest. The balance on the line of credit as of May 12, 2021, was \$45,565.
- B. On July 23, 2020, the McLean County Fiscal Court entered into an agreement with Farmers Bank and Trust Company in the amount of \$300,000 for road projects. To date only \$250 in fees has been attributed to this line of credit and \$250 has been paid in principal and \$2 in interest. The balance on the road line of credit as of May 12, 2021, was \$0.
- C. On April 21, 2021, the McLean County Justice Center Corporation issued First Mortgage Revenue Refunding Bonds, Series 2021A (Courthouse Annex Project) in the amount of \$1,295,219. The bonds were issued to refinance First Mortgage Refunding Revenue Bonds, Series 2010.

Note 13. Related Party Transaction

The McLean County Fiscal Court paid \$1,150 for fiscal year June 30, 2020, to a lawn care business owned by a magistrate's son.

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

Note 14. Payroll Revolving Account

The change in balance of the payroll revolving account of \$2,460, as of June 30, 2020, was added to the general fund cash balance for financial reporting purposes.

Note 15. Conduit Debt

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

Note 16. Restatement of Restricted Fund Transfer Balances

In prior years, the former treasurer used cash from restricted funds to cover cash shortages. However, when new accounts were started for each of the county's funds, road fund monies were used to cover the various shortages, rather than fire department fund monies. Additionally, other cash transfers were not made causing negative fund balances in the jail fund and 911 fund as of July 1, 2019.

	Balance 6/30/2019	Restatement	Balance 7/1/2019
Road Fund	\$ 861,430	\$ 77,594	\$ 939,024
Fire Department Fund	189,098	(64,665)	124,433
Total Restated Due To Restricted Funds	<u>\$ 1,050,528</u>	<u>\$ 12,929</u>	<u>\$ 1,063,457</u>

Note 17. Loans From Restricted Funds

	Beginning Balance Due To Restricted Funds	Payments Made to Restricted Funds	Ending Balance Due To Restricted Funds
Road Fund	\$ 939,024	\$	\$ 939,024
Fire Department Fund	124,433	53,464	70,969
Total Loaned From Restricted Funds	<u>\$ 1,063,457</u>	<u>\$ 53,464</u>	<u>\$ 1,009,993</u>

Beginning in fiscal year 2016 through fiscal year 2019, the former county treasurer made transfers from restricted funds and failed to repay these loans made from the restricted funds.

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

Note 18. Prior Period Adjustments

	General Fund	Road Fund	Jail Fund	LGEA Fund	Ambulance Fund	Fire Department Fund	911 Fund	Senior Citizens Fund
Ending Fund Balances Prior Year	\$ 17,640	\$ 121,538	\$	\$	\$	\$ 54,105	\$	\$
Prior Year Voided Checks	735	286			175	3,209	65	
Reallocate Prior Year								
Unapproved Transfers	6,717	(77,594)	(12,095)	28,970	5,149	64,665	(18,390)	2,578
Beginning Fund Balances Restated	<u>\$ 25,092</u>	<u>\$ 44,230</u>	<u>\$ (12,095)</u>	<u>\$ 28,970</u>	<u>\$ 5,324</u>	<u>\$ 121,979</u>	<u>\$ (18,325)</u>	<u>\$ 2,578</u>

Due to the timing of the prior year audit, funds were not moved as previously allocated.

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

For The Year Ended June 30, 2020

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MCLEAN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2020

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 1,740,000	\$ 1,740,000	\$ 1,745,796	\$ 5,796
Excess Fees	100,000	100,000	50,733	(49,267)
Licenses and Permits	3,750	3,750	4,102	352
Intergovernmental	262,875	262,875	218,542	(44,333)
Charges for Services	35,200	35,200	37,636	2,436
Miscellaneous	226,760	226,760	207,205	(19,555)
Interest	250	250	292	42
Total Receipts	<u>2,368,835</u>	<u>2,368,835</u>	<u>2,264,306</u>	<u>(104,529)</u>
DISBURSEMENTS				
General Government	1,133,391	1,144,161	1,087,362	56,799
Protection to Persons and Property	21,810	21,810	17,820	3,990
General Health and Sanitation	131,571	113,021	108,459	4,562
Social Services	4,800	4,625	3,360	1,265
Recreation and Culture	23,950	52,367	51,372	995
Debt Service	49,500	101,833	171,988	(70,155)
Administration	709,703	721,808	635,035	86,773
Total Disbursements	<u>2,074,725</u>	<u>2,159,625</u>	<u>2,075,396</u>	<u>84,229</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>294,110</u>	<u>209,210</u>	<u>188,910</u>	<u>(20,300)</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds		200,000	254,002	54,002
Transfers From Other Funds	123,513	123,513	123,618	105
Transfers To Other Funds	(817,529)	(817,529)	(487,882)	329,647
Total Other Adjustments to Cash (Uses)	<u>(694,016)</u>	<u>(494,016)</u>	<u>(110,262)</u>	<u>383,754</u>
Net Change in Fund Balance	(399,906)	(284,806)	78,648	363,454
Fund Balance - Beginning (Restated)	399,906	399,906	7,452	(392,454)
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 115,100</u>	<u>\$ 86,100</u>	<u>\$ (29,000)</u>

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

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 126,500	\$ 126,500	\$ 118,650	\$ (7,850)
Intergovernmental	1,262,445	1,915,777	1,868,433	(47,344)
Miscellaneous			14,900	14,900
Interest	250	250	474	224
Total Receipts	<u>1,389,195</u>	<u>2,042,527</u>	<u>2,002,457</u>	<u>(40,070)</u>
DISBURSEMENTS				
General Government	28,000	28,000	28,000	
General Health and Sanitation	19,597	20,914	20,914	
Roads	918,437	1,570,452	1,323,407	247,045
Debt Service	31,000	130,512	158,954	(28,442)
Administration	568,648	293,648	214,340	79,308
Total Disbursements	<u>1,565,682</u>	<u>2,043,526</u>	<u>1,745,615</u>	<u>297,911</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(176,487)</u>	<u>(999)</u>	<u>256,842</u>	<u>257,841</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds		129,512	139,433	9,921
Transfers To Other Funds	<u>(123,513)</u>	<u>(123,513)</u>	<u>(123,513)</u>	
Total Other Adjustments to Cash (Uses)	<u>(123,513)</u>	<u>5,999</u>	<u>15,920</u>	<u>9,921</u>
Net Change in Fund Balance	(300,000)	5,000	272,762	267,762
Fund Balance - Beginning (Restated)	<u>300,000</u>	<u>300,000</u>	<u>44,230</u>	<u>(255,770)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 305,000</u>	<u>\$ 316,992</u>	<u>\$ 11,992</u>

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

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 83,200	\$ 83,200	\$ 80,216	\$ (2,984)
Miscellaneous	9,000	9,000	5,270	(3,730)
Interest	20	20	19	(1)
Total Receipts	<u>92,220</u>	<u>92,220</u>	<u>85,505</u>	<u>(6,715)</u>
DISBURSEMENTS				
Protection to Persons and Property	196,079	196,079	170,967	25,112
Administration	113,790	113,790	26,607	87,183
Total Disbursements	<u>309,869</u>	<u>309,869</u>	<u>197,574</u>	<u>112,295</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(217,649)</u>	<u>(217,649)</u>	<u>(112,069)</u>	<u>105,580</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds		10,000	3,504	(6,496)
Transfers From Other Funds	217,649	217,649	122,592	(95,057)
Total Other Adjustments to Cash (Uses)	<u>217,649</u>	<u>227,649</u>	<u>126,096</u>	<u>(101,553)</u>
Net Change in Fund Balance		10,000	14,027	4,027
Fund Balance - Beginning (Restated)			<u>(12,095)</u>	<u>(12,095)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 10,000</u>	<u>\$ 1,932</u>	<u>\$ (8,068)</u>

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

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 594,111	\$ 682,075	\$ 684,700	\$ 2,625
Miscellaneous	1,000	1,000	40,402	39,402
Interest	250	250	559	309
Total Receipts	<u>595,361</u>	<u>683,325</u>	<u>725,661</u>	<u>42,336</u>
DISBURSEMENTS				
General Government	500	20,500		20,500
Protection to Persons and Property	25,000	75,964	22,528	53,436
Social Services	10,400	17,400	13,028	4,372
Roads	100,000	110,000	91,873	18,127
Debt Service	20,906	749,906	257,264	492,642
Capital Projects	157,444	157,444	10,000	147,444
Administration	15,000	25,000		25,000
Total Disbursements	<u>329,250</u>	<u>1,156,214</u>	<u>394,693</u>	<u>761,521</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>266,111</u>	<u>(472,889)</u>	<u>330,968</u>	<u>803,857</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds		154,000	1,500	(152,500)
Transfers To Other Funds	<u>(516,111)</u>	<u>(516,111)</u>	<u>(77,595)</u>	<u>438,516</u>
Total Other Adjustments to Cash (Uses)	<u>(516,111)</u>	<u>(362,111)</u>	<u>(76,095)</u>	<u>286,016</u>
Net Change in Fund Balance	(250,000)	(835,000)	254,873	1,089,873
Fund Balance - Beginning (Restated)	<u>250,000</u>	<u>250,000</u>	<u>28,970</u>	<u>(221,030)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (585,000)</u>	<u>\$ 283,843</u>	<u>\$ 868,843</u>

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

	FEDERAL GRANTS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$	21,814	\$ 22,233	\$ 419
Total Receipts		21,814	22,233	419
DISBURSEMENTS				
Protection to Persons and Property		5,814		5,814
Total Disbursements		5,814		5,814
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		16,000	22,233	6,233
Other Adjustments to Cash (Uses)				
Transfers To Other Funds		(16,000)	(16,000)	
Total Other Adjustments to Cash (Uses)		(16,000)	(16,000)	
Net Change in Fund Balance			6,233	6,233
Fund Balance - Beginning				
Fund Balance - Ending	\$	0	\$ 6,233	\$ 6,233

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

	AMBULANCE FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Charges for Services	\$ 570,100	\$ 570,100	\$ 602,847	\$ 32,747
Miscellaneous	500	500	12,074	11,574
Interest	50	50	2,827	2,777
Total Receipts	<u>570,650</u>	<u>570,650</u>	<u>617,748</u>	<u>47,098</u>
DISBURSEMENTS				
Protection to Persons and Property	618,900	617,900	578,644	39,256
Debt Service	10,000	60,000		60,000
Administration	533,313	534,313	242,529	291,784
Total Disbursements	<u>1,162,213</u>	<u>1,212,213</u>	<u>821,173</u>	<u>391,040</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(591,563)</u>	<u>(641,563)</u>	<u>(203,425)</u>	<u>438,138</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds		125,000	115,206	(9,794)
Transfers From Other Funds	591,563	591,563	204,444	(387,119)
Transfers To Other Funds			(105)	(105)
Total Other Adjustments to Cash (Uses)	<u>591,563</u>	<u>716,563</u>	<u>319,545</u>	<u>(397,018)</u>
Net Change in Fund Balance		75,000	116,120	41,120
Fund Balance - Beginning (Restated)			<u>5,324</u>	<u>5,324</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 75,000</u>	<u>\$ 121,444</u>	<u>\$ 46,444</u>

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

	FIRE DEPARTMENT FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 43,500	\$ 43,500	\$	\$ (43,500)
Charges for Services	174,500	174,500	888	(173,612)
Miscellaneous	4,640	4,640	31	(4,609)
Interest	275	275	35	(240)
Total Receipts	<u>222,915</u>	<u>222,915</u>	<u>954</u>	<u>(221,961)</u>
DISBURSEMENTS				
Protection to Persons and Property	148,600	148,600	31,926	116,674
Administration	264,315	264,315		264,315
Total Disbursements	<u>412,915</u>	<u>412,915</u>	<u>31,926</u>	<u>380,989</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(190,000)</u>	<u>(190,000)</u>	<u>(30,972)</u>	<u>159,028</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			12,500	12,500
Transfers Fund Balance To Other Funds			(72,651)	(72,651)
Total Other Adjustments to Cash (Uses)			<u>(60,151)</u>	<u>(60,151)</u>
Net Change in Fund Balance	(190,000)	(190,000)	(91,123)	98,877
Fund Balance - Beginning (Restated)	<u>190,000</u>	<u>190,000</u>	<u>121,979</u>	<u>(68,021)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 30,856</u>	<u>\$ 30,856</u>

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

LOCAL GOVERNMENT ECONOMIC DEVELOPMENT FUND

	<u>Budgeted Amounts</u>		<u>Actual Amounts, (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
RECEIPTS				
Intergovernmental	\$	\$ 310,059	\$ 193,220	\$ (116,839)
Total Receipts		310,059	193,220	(116,839)
DISBURSEMENTS				
Debt Service		310,159	193,297	116,862
Total Disbursements		310,159	193,297	116,862
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		(100)	(77)	23
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds		116,839	116,839	
Transfers From Other Funds			77	77
Transfers To Other Funds		(116,839)	(116,839)	
Total Other Adjustments to Cash (Uses)			77	77
Net Change in Fund Balance		(100)		100
Fund Balance - Beginning				
Fund Balance - Ending	\$	\$ 0	\$ 0	\$ 100

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

	EASTERN STATE AID FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$		\$ 11,093	\$ (10,907)
Interest		22,000	32	20
Total Receipts		<u>22,012</u>	<u>11,125</u>	<u>(10,887)</u>
DISBURSEMENTS				
Administration		22,012		22,012
Total Disbursements		<u>22,012</u>		<u>22,012</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			<u>11,125</u>	<u>11,125</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds			(93)	(93)
Transfers Fund Balance From Other Funds			22,010	22,010
Total Other Adjustments to Cash (Uses)			<u>21,917</u>	<u>21,917</u>
Net Change in Fund Balance			33,042	33,042
Fund Balance - Beginning				
Fund Balance - Ending	\$	0	\$ 33,042	\$ 33,042

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

	911 FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 45,000	\$ 45,000	\$ 37,140	\$ (7,860)
Intergovernmental	150,000	150,000	151,835	1,835
Interest	20	20	14	(6)
Total Receipts	<u>195,020</u>	<u>195,020</u>	<u>188,989</u>	<u>(6,031)</u>
DISBURSEMENTS				
Protection to Persons and Property	280,350	291,000	274,290	16,710
Administration	181,191	170,541	73,554	96,987
Total Disbursements	<u>461,541</u>	<u>461,541</u>	<u>347,844</u>	<u>113,697</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(266,521)</u>	<u>(266,521)</u>	<u>(158,855)</u>	<u>107,666</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds		50,000	21,998	(28,002)
Transfers From Other Funds	266,521	266,521	168,239	(98,282)
Total Other Adjustments to Cash (Uses)	<u>266,521</u>	<u>316,521</u>	<u>190,237</u>	<u>(126,284)</u>
Net Change in Fund Balance		50,000	31,382	(18,618)
Fund Balance - Beginning (Restated)			<u>(18,325)</u>	<u>(18,325)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 50,000</u>	<u>\$ 13,057</u>	<u>\$ (36,943)</u>

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

WESTERN FIRE DEPARTMENT SAVINGS FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$	\$ 11,000	\$ 11,000	\$
Interest			1	1
Total Receipts		11,000	11,001	1
DISBURSEMENTS				
Protection to Persons and Property		7,900		7,900
Administration		3,100	30	3,070
Total Disbursements		11,000	30	10,970
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			10,971	10,971
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			30	30
Total Other Adjustments to Cash (Uses)			30	30
Net Change in Fund Balance			11,001	11,001
Fund Balance - Beginning				
Fund Balance - Ending	\$ 0	\$ 0	\$ 11,001	\$ 11,001

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

	SENIOR CITIZENS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 28,000	\$ 28,000	\$ 38,757	\$ 10,757
Miscellaneous	2,150	2,150	800	(1,350)
Interest	20	20	6	(14)
Total Receipts	<u>30,170</u>	<u>30,170</u>	<u>39,563</u>	<u>9,393</u>
DISBURSEMENTS				
Social Services	146,760	148,760	148,324	436
Administration	141,319	139,319	44,529	94,790
Total Disbursements	<u>288,079</u>	<u>288,079</u>	<u>192,853</u>	<u>95,226</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(257,909)</u>	<u>(257,909)</u>	<u>(153,290)</u>	<u>104,619</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds		30,000	13,052	(16,948)
Transfers From Other Funds	257,909	257,909	149,500	(108,409)
Total Other Adjustments to Cash (Uses)	<u>257,909</u>	<u>287,909</u>	<u>162,552</u>	<u>(125,357)</u>
Net Change in Fund Balance		30,000	9,262	(20,738)
Fund Balance - Beginning (Restated)			<u>2,578</u>	<u>2,578</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 30,000</u>	<u>\$ 11,840</u>	<u>\$ (18,160)</u>

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

WESTERN FIRE DEPARTMENT FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Charges for Services	\$	\$ 32,000	\$ 28,646	\$ (3,354)
Miscellaneous		3,500	4,444	944
Interest		100	420	320
Total Receipts		<u>35,600</u>	<u>33,510</u>	<u>(2,090)</u>
DISBURSEMENTS				
Protection to Persons and Property		39,600	8,235	31,365
Administration		18,000		18,000
Total Disbursements		<u>57,600</u>	<u>8,235</u>	<u>49,365</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		<u>(22,000)</u>	<u>25,275</u>	<u>47,275</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds			(30)	(30)
Transfers Fund Balance From Other Funds			23,463	23,463
Total Other Adjustments to Cash (Uses)			<u>23,433</u>	<u>23,433</u>
Net Change in Fund Balance		(22,000)	48,708	70,708
Fund Balance - Beginning		<u>22,000</u>		<u>(22,000)</u>
Fund Balance - Ending	\$ 0	\$ 0	\$ 48,708	\$ 48,708

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

CENTRAL FIRE DEPARTMENT FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$	\$ 11,000	\$ 14,200	\$ 3,200
Charges for Services		56,000	55,554	(446)
Miscellaneous		2,100	2,795	695
Interest		50	83	33
Total Receipts		<u>69,150</u>	<u>72,632</u>	<u>3,482</u>
DISBURSEMENTS				
Protection to Persons and Property		30,150	19,742	10,408
Administration		<u>107,000</u>		<u>107,000</u>
Total Disbursements		<u>137,150</u>	<u>19,742</u>	<u>117,408</u>
Excess (Deficiency) of Receipts Over				
Disbursements Before Other				
Adjustments to Cash (Uses)		<u>(68,000)</u>	<u>52,890</u>	<u>120,890</u>
Other Adjustments to Cash (Uses)				
Transfers Fund Balance From Other Funds			<u>14,649</u>	<u>14,649</u>
Total Other Adjustments to Cash (Uses)			<u>14,649</u>	<u>14,649</u>
Net Change in Fund Balance		(68,000)	67,539	135,539
Fund Balance - Beginning		<u>68,000</u>		<u>(68,000)</u>
Fund Balance - Ending	\$ 0	\$ 0	\$ 67,539	\$ 67,539

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

EASTERN FIRE DEPARTMENT FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Charges for Services	\$	\$ 33,000	\$ 32,249	\$ (751)
Miscellaneous		240	50	(190)
Interest		75		(75)
Total Receipts		<u>33,315</u>	<u>32,299</u>	<u>(1,016)</u>
DISBURSEMENTS				
Protection to Persons and Property		27,615	1,246	26,369
Administration		85,700		85,700
Total Disbursements		<u>113,315</u>	<u>1,246</u>	<u>112,069</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		<u>(80,000)</u>	<u>31,053</u>	<u>111,053</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			41,057	41,057
Total Other Adjustments to Cash (Uses)			<u>41,057</u>	<u>41,057</u>
Net Change in Fund Balance		(80,000)	72,110	152,110
Fund Balance - Beginning		80,000		(80,000)
Fund Balance - Ending	\$	<u>0</u>	\$ <u>72,110</u>	\$ <u>72,110</u>

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

SOUTHERN FIRE DEPARTMENT FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Charges for Services	\$	\$ 30,000	\$ 29,506	\$ (494)
Miscellaneous		300	524	224
Interest		50	11	(39)
Total Receipts		<u>30,350</u>	<u>30,041</u>	<u>(309)</u>
DISBURSEMENTS				
Protection to Persons and Property		23,450	13,848	9,602
Administration		11,900		11,900
Total Disbursements		<u>35,350</u>	<u>13,848</u>	<u>21,502</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		<u>(5,000)</u>	<u>16,193</u>	<u>21,193</u>
Other Adjustments to Cash (Uses)				
Transfers Fund Balance From Other Funds			12,529	12,529
Total Other Adjustments to Cash (Uses)			<u>12,529</u>	<u>12,529</u>
Net Change in Fund Balance		(5,000)	28,722	33,722
Fund Balance - Beginning		5,000		(5,000)
Fund Balance - Ending	\$	<u>0</u>	\$ <u>28,722</u>	\$ <u>28,722</u>

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

SOUTHEASTERN FIRE DEPARTMENT FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$	\$ 11,000	\$ 11,000	\$
Charges for Services		17,500	16,209	(1,291)
Miscellaneous		600	523	(77)
Interest		50		(50)
Total Receipts		29,150	27,732	(1,418)
DISBURSEMENTS				
Protection to Persons and Property		43,275	16,405	26,870
Administration		875		875
Total Disbursements		44,150	16,405	27,745
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		(15,000)	11,327	26,327
Net Change in Fund Balance		(15,000)	11,327	26,327
Fund Balance - Beginning		15,000		(15,000)
Fund Balance - Ending	\$	0	\$ 11,327	\$ 11,327

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

June 30, 2020

Note 1. Budgetary Information

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

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

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

Note 2. Reconciliation of the General Fund

Reconciliation of the General Fund

Other Adjustments to Cash (Uses) - Budgetary Basis	\$ (110,262)
To adjust for change in payroll revolving account	<u>2,460</u>
Total Other Adjustments to Cash (Uses) - Regulatory Basis	<u><u>\$ (107,802)</u></u>
Fund Balance - Ending- Budgetary Basis	\$ 86,100
To adjust for balance of payroll revolving account	<u>20,100</u>
Total Fund Balance - Ending - Regulatory Basis	<u><u>\$ 106,200</u></u>

Note 3. Excess of Disbursements Over Appropriations

The general fund, debt service line item, exceeded budgeted appropriations by \$70,155 and the road fund, debt service line item, exceeded budgeted appropriations by \$28,442.

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

For The Year Ended June 30, 2020

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MCLEAN COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2020

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 1,250,309	\$ 7,210	\$	\$ 1,257,519
Buildings	8,418,636			8,418,636
Vehicles and Equipment	2,408,219	109,297		2,517,516
Other Equipment	2,749,020	47,538		2,796,558
Infrastructure	4,419,340	911,255		5,330,595
 Total Capital Assets	 <u>\$ 19,245,524</u>	 <u>\$ 1,075,300</u>	 <u>\$ 0</u>	 <u>\$ 20,320,824</u>

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

June 30, 2020

Note 1. Capital Assets

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

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 25,000	50
Buildings and Building Improvements	\$ 25,000	50
Other Equipment	\$ 5,000	10
Vehicles and Equipment	\$ 5,000	10
Infrastructure	\$ 25,000	50

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

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Curtis Dame, McLean County Judge/Executive
Members of the McLean 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 McLean County Fiscal Court for the fiscal year ended June 30, 2020, and the related notes to the financial statement which collectively comprise the McLean County Fiscal Court's financial statement and have issued our report thereon dated June 10, 2021.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2020-001, 2020-002, 2020-003, and 2020-004 to be material weaknesses.



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

Internal Control Over Financial Reporting (Continued)

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2020-005, 2020-006, 2020-007, 2020-008, and 2020-009 to be significant deficiencies.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the McLean 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2020-001, 2020-002, and 2020-003.

Views of Responsible Official and Planned Corrective Action

McLean County's views and planned corrective action for the findings identified in our audit are included in the accompanying Schedule of Findings and Responses. The county's responses were not subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

June 10, 2021

**MCLEAN COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2020

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**MCLEAN COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2020

FINANCIAL STATEMENT FINDINGS:

2020-001 The McLean County Fiscal Court Failed To Implement Adequate Internal Controls To Ensure Complete And Accurate Accounting Records Were Maintained

This is a repeat finding and was included in the prior year audit report as Finding 2019-001. There were no functioning internal controls in place over the work performed by the county treasurer. The fiscal court failed to provide adequate oversight, allowing the county treasurer complete control over the accounting and reporting functions. The following deficiencies and errors were noted during the performance of the audit:

- The fourth quarter financial report was incomplete and inaccurate:
 - The total budgeted amounts for receipts and disbursements per the approved budget did not agree to the amount reported as budgeted amounts per the fourth quarter report. Budgeted receipts and disbursements were understated by \$428,493 and \$533,389, respectively. The county treasurer failed to properly enter the amounts per the budget amendments.
 - There were numerous classification errors noted within the funds, which required audit adjustments to correct.
 - Certificates of deposit in the amount of \$59,952 were not properly reported on the fourth quarter report (see Finding 2020-002).
 - Liabilities were misstated on the fourth quarter report by \$1,290,280 (see Finding 2020-003).
- The quarterly financial reports for the first, third, and fourth quarters were presented to fiscal court late.
- The county treasurer's financial reports were presented to the fiscal court late for July 2019 through April 2020.
- The county overspent the amount budgeted for transfers out for the following funds: ambulance, eastern state aid, and western fire department.
- The debt service line items in the general and road funds were overspent by \$70,155 and \$28,442 respectively.

Additional internal control issues noted were:

- An emergency was declared for the approval and adoption of the fiscal year 2019-2020 budget on June 28, 2019. An emergency budget amendment was declared because there was not time to publish and advertise before the end of the fiscal year. Time constraints and lack of proper planning do not meet the definition of a legitimate emergency.
- Seconded reading and adoption of budget amendment #20.220-4 was not reflected in the fiscal court orders.

The McLean County Fiscal Court failed to implement a strong internal control system or provide proper oversight to ensure complete and accurate accounting records were maintained, and instead relied on a single person without adequate oversight. Additionally, this was the county treasurer's first year serving as county treasurer; therefore, she was learning all accounting concepts and responsibilities.

Due to the lack of oversight of the treasurer's functions by the fiscal court and the treasurer's lack of full understanding of her duties as prescribed by the Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual*, the deficiencies, non-compliances, and undetected errors noted above pertaining to required record-keeping were allowed to occur. Additionally the fiscal court was unable to properly budget and plan for the following fiscal year due to inaccurate financial information being presented.

Strong internal controls over the reporting process are vital to ensure the fiscal court's financial reports accurately reflect the financial activity of the fiscal court, as well as, adherence to applicable laws and regulations.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2020-001 The McLean County Fiscal Court Failed To Implement Adequate Internal Controls To Ensure Complete And Accurate Accounting Records Were Maintained (Continued)

KRS 65.905(2) states, “[t]he final quarterly report filed by a county within fifteen (15) days after the end of the last quarter of the fiscal year, in accordance with KRS 68.360(2), shall be deemed the uniform financial information report for that county for purposes of compliance with KRS 65.900 to 65.925.”

KRS 68.260(1) states, “[t]he proposed county budget, tentatively approved by the fiscal court and approved by the state local finance officer as to form and classification, shall be submitted to the fiscal court for adoption not later than July 1 of each year. The budget as presented and amended shall be adopted as of July 1. The county judge/executive shall cause a copy of the proposed budget to be posted in a conspicuous place in the courthouse near the front door, and be published pursuant to KRS Chapter 424, at least seven (7) days before final adoption by the fiscal court.”

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

KRS 68.110(1) forbids expenditures in excess of revenues and states, “[t]he fiscal court shall not in any year expend any money in excess of the amount annually levied and collected for that year or levied, collected or appropriated for any special purpose.”

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. Pursuant to KRS 68.210, the state local finance officer has prescribed minimum accounting and reporting standards in the Department for Local Government’s *County Budget Preparation and State Local Finance Officer Policy Manual*. The manual requires the county treasurer to “[p]repare a quarterly financial report for the State Local Finance Officer.” The manual also provide a format to be used when preparing the quarterly financial statement. This format includes reporting original budget estimates, budget amendments, and actual receipts and disbursements and totals available in each line item. The manual goes on to state, “[a] budget amendment is an ordinance and must be approved by the fiscal court in the statutorily prescribed manner including advertising and publishing requirements. All amendments to a county budget must be approved by the State Local Finance Officer as mandated by KRS 68.280.” It further states, “[a]ny amendments to a county budget submitted to the State Local Finance Officer on an emergency basis must strictly adhere to the provisions of KRS 67.078 and a photocopy of the fiscal court order naming and describing the emergency much accompany the budget amendment pursuant to KRS 68.280.”

In addition, KRS 68.360(1) states, “[t]he county treasurer shall balance his books on the first day of each month, so as to show the correct amount on hand belonging to each fund on the day the balance is made, and shall within ten (10) days file with the county judge/executive and members of the fiscal court a monthly statement containing a list of warrants paid by him during the month, showing all cash receipts and the cash balance at the beginning and at the end of the month, and certifying that each warrant or contract is within the budget appropriation.”

We recommend the McLean County Fiscal Court strengthen oversight and internal controls in order to ensure complete and accurate accounting records are maintained and that no one individual has control over the accounting functions without establishing checks and balances to verify amounts recorded and reported are accurate.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2020-001 The McLean County Fiscal Court Failed To Implement Adequate Internal Controls To Ensure Complete And Accurate Accounting Records Were Maintained (Continued)

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: Officials and staff of the McLean County Fiscal Court are aware and have changed our procedures in regards to record retention and the implementation of internal controls to accomplish such goals.

2020-002 The McLean County Fiscal Court Failed To Implement Adequate Internal Controls Over Cash Processes And Financial Reporting

This is a repeat finding and was included in the prior year audit report as Finding 2019-002. The McLean County Fiscal Court had internal control weaknesses and non-compliances regarding cash processes and financial reporting. The following findings were noted with McLean County Fiscal Court's cash processes and financial reporting:

- The county treasurer failed to record ending cash balances of certificates of deposit in the amount of \$59,952 as part of her ending cash balances on the financial cover sheet of her fourth quarter financial report, but rather included a supplemental sheet containing these balances. This amount includes \$1,359 of the road fund, \$15,017 of Local Government Economic Assistance (LGEA) fund, \$14,692 of central fire department fund, \$23,866 of western fire department fund, and \$5,018 of southern fire department fund. Additionally, she failed to include \$66,725 as prior year surplus.
- The county treasurer failed to record interest earned on certificates of deposit in the amount of \$749. This amount includes interest earned to the following: \$292 LGEA fund, \$43 central fire department fund, \$403 western fire department fund, and \$11 southern fire department fund.
- Additionally, the proceeds of two certificates of deposit in the amount of \$8,882 were not deposited into the bank when redeemed. This amount includes a certificate of deposit in the amount of \$1,359 of the road fund and \$7,523 of southern fire department fund. Instead a cashier's check was issued for both certificates of deposit, the county treasurer took the cashier's check for the road certificate of deposit and went to another financial institution and purchased another certificate of deposit. The cashier's check for southern fire department was used to pay on debt issued to the Sacramento Volunteer Fire Department.
- Lastly, a state aid receipt of \$11,000 was not properly deposited into the bank. Instead, the county treasurer took the check received from the state to the bank and directly purchased a certificate of deposit with it.

This was the county treasurer's first year serving as county treasurer, therefore, she was learning all accounting concepts and responsibilities. Due to this, the findings noted above occurred. Additionally, there were no internal controls implemented by the fiscal court to discover the aforementioned problems.

The failure to maintain accurate and detailed accounting information does not provide a true picture of the activities within the fiscal court's accounts and increases the risk that undetected misstatements due to error or fraud could occur. Furthermore, the McLean County Fiscal Court's lack of controls resulted in the road fund, LGEA fund, central fire department fund, western fire department fund, and southern fire department fund cash balances being understated by \$1,359, \$15,017, \$14,692, \$23,866 and \$5,018, respectively.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2020-002 The McLean County Fiscal Court Failed To Implement Adequate Internal Controls Over Cash Processes And Financial Reporting (Continued)

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual* requires investments be included in “Section I: Summary and Reconciliation” of the financial statement, as well as, deposits be made intact on a daily basis into a federally insured banking institution. Additionally, strong internal controls over investments are vital in ensuring that cash balances have been accounted for properly. Strong internal controls are also important in safeguarding the county’s assets and those given the responsibility of accounting for them.

We make the following recommendations to address these findings:

- All investment balances should be properly disclosed on the financial statement.
- All interest earned on certificates of deposit should be recorded to the appropriate fund’s receipts ledger.
- All financial activity for all funds of the McLean County Fiscal Court should accurately be maintained by the county treasurer.
- All receipts should be deposited intact into a federally insured banking institution on a daily basis.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive’s Response: Overdue prior audits of the McLean County Fiscal Court revealed substantial issues with internal controls with cash procedures and, have since, been addressed since the release of Fiscal Year 2018 and 2019 audits. Our process involves multiple inspections of receipts and the daily deposits of cash at a local financial institution. In addition, changes to the county administrative code, have reversed the executive decisions of prior Judge/Executives and, in turn, placed extra procedures which have been used to guarantee best-cost scenarios for the fiscal court. All of the procedures have been installed and are working as planned.

2020-003 The McLean County Fiscal Court Failed To Implement Adequate Internal Controls Over Debt And Debt Service

This is a repeat finding and was included in the prior year audit report as Finding 2019-003. Material internal control weaknesses existed over the reporting of debt and debt service of the McLean County Fiscal Court, and the following discrepancies were noted:

- The June 30, 2020 outstanding debt balances reported on the fourth quarter financial report were materially misstated when compared to the actual debt balances confirmed with lenders. According to the fourth quarter financial report, total long-term liabilities were \$3,184,919 as of June 30, 2020. This balance is overstated for nine debt issues, for a total misstatement of \$1,290,280.
- Interest balances were overstated by \$775,419.
- The McLean County Fiscal Court borrowed \$28,200 on July 1, 2019, for the purchase of a 2008 tractor with slope mower. The loan proceeds were paid directly to the vendor on behalf of the fiscal court for this purchase. Therefore, it was not included in the county’s financial statements as a budgeted disbursement for fiscal year ended June 30, 2020.
- The McLean County Fiscal Court used \$120,200 from their line of credit to pay off a loan previously entered into by McLean County Fiscal Court. The loan proceeds were paid directly to the bank on behalf of the fiscal court.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2020-003 The McLean County Fiscal Court Failed To Implement Adequate Internal Controls Over Debt And Debt Service (Continued)

- The fiscal court failed to budget \$10,000 of debt service payments made by the City of Calhoun on behalf of the fiscal court.
- The fiscal court failed to notify the state local debt officer for multiple short term borrowings, including; \$120,200 borrowed on July 2, 2019, \$120,200 borrowed on July 18, 2019, and \$80,356 borrowed on July 18, 2019.

The county failed to implement a strong internal control system over debt and debt service, and instead relied on a single person without adequate oversight. Additionally, the county treasurer was not aware that she needed to budget for or record loan proceeds when they were paid directly by the lender to the vendor, since she did not directly receive these funds. Lastly, the county treasurer thought the state local debt officer had been notified for all short-term debt borrowings. However, she and the Department for Local Government were unable to locate the notifications for the three short-term borrowings mentioned above.

This lack of internal controls resulted in the county's fourth quarter financial report being materially misstated. Additionally, by not properly budgeting these items or properly recording all transactions, the fiscal court overspent debt service line items of the general and road funds by \$70,155 and \$28,442, respectively.

Strong internal controls over outstanding debt and debt service are necessary to ensure accurate financial reporting. Also, KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts for all counties and county officials. The *County Budget Preparation and State Local Finance Officer Policy Manual* outlines minimum requirements for the handling of public funds, including outstanding debt and liabilities. It also requires all borrowed money received and repaid must be reflected in the county budget. 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.

In addition, KRS 65.117(1) states, “[n]o city, county, urban-county, consolidated local government, charter county, or special purpose governmental entity as defined in KRS 65A.010 shall enter into any financing obligation of any nature, whether evidenced by note pursuant to KRS 65.7701 to 65.7721 or otherwise, by lease pursuant to KRS 65.940 to 65.956, under which the lease price exceeds two hundred thousand dollars (\$200,000), by bond issuance pursuant to KRS Chapter 66, or any long-term debt obligation of any sort without first notifying the state local debt officer in writing.”

We recommend the county strengthen internal controls over the reporting of debt service payments and outstanding liability balances. Internal controls, such as comparisons of payment amounts and outstanding balances to amortization and payment schedules, should be implemented. We also recommend the county consult with its lenders to verify outstanding debt balances are in agreement with the county's schedule of leases and liabilities. The fiscal court should also, ensure that they properly budget and record all borrowed money and any related purchases. Lastly, the fiscal court should ensure that they properly notify the state local debt officer for all short-term borrowings. Such practices will strengthen internal controls over liabilities and debt service and ensure that proper amounts are reported.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2020-003 The McLean County Fiscal Court Failed To Implement Adequate Internal Controls Over Debt And Debt Service (Continued)

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: Finding #2020-003 has been addressed in FY 2018 and FY 2019 audits. These findings were a result of issues encountered with both prior software utilized by the McLean County Fiscal Court and errors made by personnel which are no longer employed by the McLean County Fiscal Court. The Fiscal Court purchased new accounting software in the spring of 2020 and has since transitioned to this new program.

2020-004 The McLean County Fiscal Court Failed To Implement Sufficient Internal Controls Over Their Service Organization's Collection Of Ambulance Receipts

This is a repeat finding and was included in the prior year audit report as Finding 2019-005. The fiscal court failed to oversee the ambulance billing service organization that handles all of the billing and receipt collections for the McLean County Ambulance Service. In the fiscal year ended June 30, 2020, the amount of ambulance receipts reported on the quarterly report was \$598,780. The following findings were noted with the collection of receipts at the service organization:

- The county does not review the service organization's billing and collections to ensure all the McLean County Ambulance Service runs and collections are accounted for properly. There was no documentation of the review of internal controls implemented at the service organization. The service organization did not have a Service Organization Report (SOC) Report. A SOC 1 report focuses on controls at the service organization that would be useful to user entities and their auditors for the purpose of planning a financial statement audit of the user entity and evaluating internal controls financial reporting at the user entity.
- The fiscal court has minimal oversight and control over the collection of ambulance receipts process. Although the service organization sent a month end report to the fiscal court that documented charges, credits, the accounts receivable balance, and daily deposit amounts, the fiscal court was not able to determine if all amounts intended for them were actually collected and deposited since the total amount of ambulance runs and corresponding charges were not presented to the fiscal court. Because of the lack of detail in the service organization reports, the fiscal court was unable to verify the amount of ambulance revenue due to them.

The findings listed above are due to the lack of effective internal controls. Because of the lack of adequate internal controls over service organization activities, the ambulance billing receipts were left vulnerable to misappropriation and loss.

Strong internal controls over the collection of receipts are vital in ensuring that receipts are accounted for properly. Strong internal controls are also important in safeguarding the county's assets and those given the responsibility of accounting for them, as well as helping make certain the county is in compliance with state statutes.

We recommend the McLean County Fiscal Court strengthen internal controls regarding the ambulance service's service organization.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2020-004 The McLean County Fiscal Court Failed To Implement Sufficient Internal Controls Over Their Service Organization's Collection Of Ambulance Receipts (Continued)

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: FY 2018 and FY 2019 audits highlighted the deficiency related to ambulance billing receipts, but those results were not made available until after the close-out of FY2020. Since that time, procedures have been instituted to address and provide a more robust review of ambulance receipts.

2020-005 The McLean County Fiscal Court Failed To Implement Adequate Internal Controls Over The Collection Of Receipts At Off-Site Locations

This is a repeat finding and was included in the prior year audit report as Finding 2019-006. The McLean County Fiscal Court has poor internal controls over the collection of receipts at off-site locations. The following findings were noted with McLean County Fiscal Court's collection of receipts at off-site locations:

- Receipts were not issued for all applicable transactions as required by KRS 64.840. In addition, the senior citizens building burnt down in recent months along with all their records.
- Receipts collected at the road department, Myers Creek Park, and transfer site are not turned over to the county treasurer daily, as required by KRS 68.210.
- Copies of donation receipts at Central fire department were not provided by the fire department, resulting in \$1,240 of donations not having supporting documentation.

The findings listed above are due to the lack of effective internal controls. Because of the aforementioned findings, receipts were left vulnerable to misappropriation and loss. Also, the McLean County Fiscal Court failed to issue and maintain required documentation as prescribed by state statutes.

Strong internal controls over the collection of receipts are vital in ensuring that receipts are accounted for properly. Strong internal controls are also important in safeguarding the county's assets and those given the responsibility of accounting for them, as well as helping make certain the county is in compliance with state statutes. KRS 64.840(1) states, in part "all county officials shall, upon the receipt of any fine, forfeiture, tax, or fee, prepare a receipt that meets the specifications of the state local finance officer, if the fine, forfeiture, tax, or fee is paid:

- (a) In cash;
- (b) By a party appearing in person to pay; or
- (c) By check, credit card, or debit card account received through the mail, if the party includes an addressed, postage-paid return envelope and a request for receipt.

KRS 64.840(2) states, "[o]ne (1) copy of the receipt shall be given to the person paying the fine, forfeiture, tax, or fee and one (1) copy shall be retained by the official for his own records. One (1) copy of the receipt shall be retained by the official to be placed with the daily bank deposit[.]' Also, KRS 68.210 states, in part, "[t]he administration of the county uniform budget system shall be under the supervision of the state local finance officer who may inspect and shall supervise the administration of accounts and financial operations and shall prescribe...a system of uniform accounts for all counties and county officials[.]"

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2020-005 The McLean County Fiscal Court Failed To Implement Adequate Internal Controls Over The Collection Of Receipts At Off-Site Locations (Continued)

We make the following recommendations to address these findings:

- Pre-Numbered, triplicate receipts should be issued for all applicable transactions according to KRS 64.840.
- All receipts collected at off-site locations should be turned over to the county treasurer daily to be deposited according to KRS 68.210.
- All off-site locations should keep a receipts ledger to document all types of receipts, dates received, and amounts collected.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: FY 2018 and FY 2019 audits highlighted the deficiency related to adequate internal controls over the collection of receipts at off-site locations, but those results were not made available until after the close-out of FY2020. Additionally, the fiscal court and Judge/Executive have since changed procedures, staffing hours and cash handling procedures to accomplish a more efficient and effective collection of off-site receipts.

2020-006 McLean County Fiscal Court Does Not Have Adequate Internal Controls Over Payroll Processing

This is a repeat finding and was included in the prior year audit report as Finding 2019-007. The McLean County Fiscal Court failed to implement adequate internal control over the payroll and timekeeping processes. The following findings were noted during testing of McLean County Fiscal Court's payroll:

- Employee salary schedule was not approved by the fiscal court for the FY 2020.
- Three employees' hours worked per time sheet did not agree to individual earnings reports.
- One employee's timesheet was not approved by supervisor.
- Six employees did not have the current withholding forms in their personnel file.

Based on county records there was a lack of segregation of duties over payroll preparation and no independent review of payroll items before processing and disbursing payroll. Due to the lack of internal controls over payroll processing, the above findings occurred. Additionally, the three employees' actual hours worked were not reported on their individual earnings report, since fiscal court considered them to be salaried employees. Due to the lack of internal controls over payroll, payments for payroll were not properly supported.

Strong internal controls over payroll and timekeeping are vital in ensuring the payroll amounts are calculated and accounted for properly. Strong internal controls are also important in safeguarding the county's assets and those given the responsibility of accounting for them, as well as helping make certain the county is in compliance with state statutes. KRS 64.530(1) states, "[e]xcept as provided in subsections (5) and (6) of this section, the fiscal court of each county shall fix the reasonable compensation of every county officer and employee except the officers named in KRS 64.535 and the county attorney and jailer. The fiscal court may provide a salary for the county attorney." Additionally, the McLean County Administrative Code Section 5.16 (B.) states, in part, "...[f]iscal Court shall approve all salaries or appropriate salary schedules."

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2020-006 McLean County Fiscal Court Does Have Adequate Internal Controls Over Payroll Processing
(Continued)

We make the following recommendations to address these findings:

- An individual independent of the payroll process should review payroll calculations, withholding amounts, etc., to verify that all amounts have been calculated properly and that they are properly supported.
- Documentation of each employee of the county, including the appropriate hourly rate for hourly employees and monthly or yearly amounts for all salaried employees should be presented to the fiscal court for approval and included in the fiscal court minutes as a matter of public record.
- Each employee's individual earnings report should be supported by actual hours worked per employee's timesheet.
- Fiscal court should strengthen controls over the payroll process by requiring all timesheets be signed by employees and his or her supervisor.
- Personnel files should be updated regularly.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: FY 2018 and FY 2019 audits highlighted the deficiency related to adequate internal controls over payroll processing, but those results were not made available until after the close-out of FY 2020. Additionally, the fiscal court and Judge/Executive have since changed procedures, personnel procedures and also plan to hire additional staff to accomplish a more efficient and effective administration of payroll processing.

2020-007 The McLean County Treasurer Failed To Reconcile The Payroll Revolving Account

This is a repeat finding and was included in the prior year audit report as Finding 2019-008. The McLean County Fiscal Court uses a clearing bank account for payroll processing. Payroll revolving accounts are established in order to process individual payroll transactions and should zero out or reconcile to a minimal carrying balance. Deposits are made into the bank account from the county's operating accounts to pay for salaries, taxes, matching portion of taxes, retirement, health insurance, and other payments to benefit vendors. The county treasurer did not prepare monthly reconciliations on the payroll revolving account for fiscal year 2020. We determined that as of June 30, 2020, a balance of \$20,100 existed in the account.

The county treasurer neglected her duty to reconcile the payroll revolving bank account monthly as described in the *County Budget Preparation and State Local Finance Officer Policy Manual*. There were no internal controls in place to ensure the payroll account was properly reconciled each month.

The payroll revolving account should zero out at the end of the year or reconcile to a minimal carrying balance. However, because the account had not been reconciled, the payroll revolving account had an ending balance of \$20,100 as of June 30, 2020. Funds held in a clearing account when they are not needed to pay liabilities removes those funds from accounts where they could be used in the regular operations of the county. Additionally, a lack of payroll reconciliation to the ledgers on a regular basis increases risk of misstatement in the financial statements, and can result in errors or fraud going undetected.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2020-007 The McLean County Treasurer Failed To Reconcile The Payroll Revolving Account (Continued)

Good internal controls require timely, accurate reconciliations for bank accounts and all other reports concerning payroll, to ensure all funds are properly accounted for and to prevent misappropriation of funds and inaccurate financial reporting. Due to the nature of revolving accounts, only the funds necessary to pay employees and government agencies are transferred from other funds. Therefore, the reconciled balance each month of the payroll revolving account should be zero. Also, KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual* requires monthly bank reconciliations.

We recommend the payroll revolving account be properly reconciled on a monthly basis. Because the payroll revolving account is a clearing account, this account should reconcile to a zero ending cash balance or a minimal carrying balance at the end of each month.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: FY 2018 and FY 2019 audits highlighted the deficiency related to the reconciliation of the revolving payroll account, but those results were not made available until after the close-out of FY 2020. Additionally, the fiscal court and Judge/Executive have since purchased a more robust accounting system to help the county treasurer accomplish these tasks. The current county treasurer has faced a monumental task of achieving clarity regarding the mishandled records of the McLean County Fiscal Court by previous staff and has performed exceptionally well under the circumstances. In addition, the court plans to hire addition staff to create a review system for payroll records and funds.

2020-008 The McLean County Judge/Executive Failed To Require Encumbrances To Be Properly Reported On The Fourth Quarter Financial Report

This is a repeat finding and was included in the prior year audit report as Finding 2019-010. McLean County's encumbrances at year-end were not properly reported on the fourth quarter financial report. Upon further examination, auditor also determined that a list of encumbrances had not been maintained as of June 30, 2020.

The county judge/executive failed to require encumbrances be properly reported on the fourth quarter financial report. By not properly reporting encumbrances, the fiscal court is not in compliance with reporting requirements per the Department for Local Government. In addition, failure to report encumbrances will not accurately reflect cash balances and alert management to any possible cash flow issues.

KRS 68.360(2) states, in part, "[t]he county judge/executive shall within (15) days after the end of each quarter of each fiscal year, prepare a statement showing for the current fiscal year to date actual receipts from each county revenue source, the totals of all encumbrances and expenditures charged against each budget fund, the unencumbered balance of the fund, and any transfers made to or from the fund[.]" Furthermore, the *County Budget Preparation and State Local Finance Officer Policy Manual* requires the county to disclose encumbrances on the face of the fourth quarter financial report. Good internal controls dictate the fiscal court monitor line items to ensure that there is ample cash and budget prior to approving payment of bills.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2020-008 The McLean County Judge/Executive Failed To Require Encumbrances To Be Properly Reported On The Fourth Quarter Financial Report (Continued)

We recommend the county maintain an encumbrance listing and properly report encumbrances on the fourth quarter financial report in order to accurately disclose unencumbered fund balances.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: FY 2018 and FY 2019 audits highlighted the deficiency related to reporting of 4th quarter encumbrances, but those results were not made available until after the close-out of FY 2020. Additionally, the current Judge/Executive has changed reporting standards and purchase order procedures that were not addressed by prior Judge/Executives, in order to reduce the number of encumbrances carried from one fiscal year to another. Also, the fiscal court has realized significant reporting benefits that have been provided by the adoption of a new accounting software system at the start of FY 2021.

2020-009 The McLean County Fiscal Court Did Not Have Adequate Controls Over Disbursements And Credit Card Transactions

This is a repeat finding and was included in the prior year audit report as finding 2019-011. During our review and testing of disbursements and credit cards we noted the following:

- Five instances where purchase orders were not issued for an expenditure.
- Eight of the 131 transactions tested on the fuel credit card were missing the supporting itemized receipt.
- Finance charges in the amount of \$39 were paid on the credit card.

The McLean County Fiscal Court failed to implement internal controls over disbursements to ensure proper handling and compliance with applicable laws. The lack of controls increases the risk of errors or fraud going undetected. By failing to maintain adequate documentation, the fiscal court is increasing the risk of paying invoices for goods or services that were not provided to the fiscal court. In addition, paying finance charges is not a good use of taxpayer funds.

Good internal controls dictate that adequate supporting documentation be maintained for all disbursements. In addition, KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts as outlined in the Department for Local Government's (DLG) *County Budget Preparation & State Local Finance Officer Policy Manual* (DLG budget manual). Page 57, outlines minimal procurement guidance which includes (a) Purchases shall not be made without approval by the judge/executive (or designee), and/or a department head, (b) Purchase requests shall indicate the proper appropriation account number to which the claim will be posted, (c) Purchase requests shall not be approved in an amount that exceeds the available line item appropriation unless the necessary and appropriate transfers have been made and d) Each department head issuing purchase requests shall keep an updated appropriation ledger and/or create a system of communication between the department head and the judge/executive or designee who is responsible for maintaining an updated, comprehensive appropriation ledger for the county.

We recommend the fiscal court implement internal control procedures to ensure that all disbursements are properly supported.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2020-009 The McLean County Fiscal Court Did Not Have Adequate Controls Over Disbursements And Credit Card Transactions (Continued)

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: A number of historically lax policies have been addressed by the current administration regarding both ineffective accounting procedures and policies which, at the time, left the McLean County Fiscal Court financially vulnerable. Since completing overdue fiscal year audits for 2018 and 2019, the current Judge/Executive has reversed, reduced and implemented controls to address issues with purchase orders and credit card transactions.

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

MCLEAN COUNTY FISCAL COURT

For The Year Ended June 30, 2020

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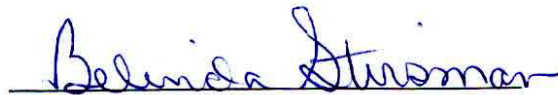
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAM
COUNTY FISCAL COURT

For The Year Ended June 30, 2020

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

A handwritten signature in blue ink, appearing to read "Curtis Darr", is written over a horizontal line.

County Judge/Executive

A handwritten signature in blue ink, appearing to read "Belinda Stroman", is written over a horizontal line.

County Treasurer