

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

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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



To the People of Kentucky
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Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the Trigg 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 Trigg 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 Trigg 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 Trigg County Fiscal Court. The Budgetary Comparison Schedules (supplementary information) and Schedule of Capital Assets (other information) are presented for purposes of additional analysis and are not a required part of the financial statement; however, they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

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

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

To the People of Kentucky
 The Honorable Andy Beshear, Governor
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 Finance and Administration Cabinet
 The Honorable Hollis Alexander, Trigg County Judge/Executive
 Members of the Trigg County Fiscal Court

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2021, on our consideration of the Trigg 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 Trigg 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 Trigg County Fiscal Court Lacks An Adequate Segregation Of Duties Over Receipts And Financial Reporting
- 2020-002 The Trigg County Fiscal Court Overspent In Two Funds Due To An Unbalanced Budget Being Presented On The Fourth Quarter Financial Report
- 2020-003 The Trigg County Fiscal Court Failed To Report Over \$7,000,000 In Outstanding Debt Obligations
- 2020-004 The Trigg County Fiscal Court Has Not Implemented Adequate Controls Over Off-Site Collections
- 2020-005 The Trigg County Fiscal Court Did Not Maintain Adequate Documentation To Support Payroll Disbursements
- 2020-006 The Trigg County Fiscal Court Did Not Prepare A Financial Statement For The Public Justice Center Corporation Fund
- 2020-007 The Trigg County Fiscal Court Did Not Accurately Reconcile Bank Accounts
- 2020-008 The Trigg County Fiscal Court Does Not Have Adequate Controls Over The Health Reimbursement Account (HRA) Program
- 2020-009 The Trigg County Fiscal Court Did Not Maintain Adequate Internal Controls For Alcohol Beverage Control Receipts

Respectfully submitted,



Mike Harmon
 Auditor of Public Accounts

May 11, 2021

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

Hollis Alexander	County Judge/Executive
Mike Wright	Magistrate, District 1
Barry Littlejohn	Magistrate, District 2
Cameron Sumner	Magistrate, District 3
Jeff Broadbent	Magistrate, District 4
Alana Baker Dunn	Magistrate, District 5
Larry Lawrence	Magistrate, District 6
Mike Lane	Magistrate, District 7

Other Elected Officials:

Randall Braboy	County Attorney
James Hughes	Jailer
Carmen Finley	County Clerk
Pam Perry	Circuit Court Clerk
Jason Barnes	Sheriff
Lauren Fowler	Property Valuation Administrator
John Mark Vinson	Coroner

Appointed Personnel:

Lucy Kyler	County Treasurer
Karen Oakley	Finance Officer

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

For The Year Ended June 30, 2020

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

For The Year Ended June 30, 2020

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	\$ 3,988,181	\$	\$
In Lieu Tax Payments	151,419	62,971	
Excess Fees	151,053		
Licenses and Permits	5,339		
Intergovernmental	990,459	2,595,775	80,818
Charges for Services	159,741		5,600
Miscellaneous	221,929	28,955	4,269
Interest	24,648	14,614	603
Total Receipts	<u>5,692,769</u>	<u>2,702,315</u>	<u>91,290</u>
DISBURSEMENTS			
General Government	1,947,969		
Protection to Persons and Property	1,723,427		346,848
General Health and Sanitation	640,350		
Social Services	75,280		
Recreation and Culture	335,907		
Roads		2,456,943	
Debt Service	311,998		
Administration	951,701	334,027	44,433
Total Disbursements	<u>5,986,632</u>	<u>2,790,970</u>	<u>391,281</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(293,863)</u>	<u>(88,655)</u>	<u>(299,991)</u>
Other Adjustments to Cash (Uses)			
Payroll Revolving Account	17,963		
Transfers From Other Funds	223,513		350,000
Transfers To Other Funds	(719,223)	(223,513)	
Total Other Adjustments to Cash (Uses)	<u>(477,747)</u>	<u>(223,513)</u>	<u>350,000</u>
Net Change in Fund Balance	(771,610)	(312,168)	50,009
Fund Balance - Beginning (Restated)	<u>1,624,648</u>	<u>1,851,498</u>	<u>45,839</u>
Fund Balance - Ending	<u>\$ 853,038</u>	<u>\$ 1,539,330</u>	<u>\$ 95,848</u>
Composition of Fund Balance			
Bank Balance	\$ 897,477	\$ 1,540,586	\$ 95,923
Less: Outstanding Checks	(62,402)	(1,256)	(75)
Payroll Revolving Account	17,963		
Fund Balance - Ending	<u>\$ 853,038</u>	<u>\$ 1,539,330</u>	<u>\$ 95,848</u>

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

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

<u>Budgeted Funds</u>			<u>Unbudgeted Fund</u>	
Local Government Economic Assistance Fund	Sheriff Fund	Escrow ABC Fund	Public Justice Center Corporation Fund	Total Funds
\$	\$	\$	\$	\$ 3,988,181
				214,390
				151,053
		9,720		15,059
74,408	584,247		910,675	5,236,382
				165,341
	3,450	123,528		382,131
639	311	468	326	41,609
<u>75,047</u>	<u>588,008</u>	<u>133,716</u>	<u>911,001</u>	<u>10,194,146</u>
37,000	721,850	167,141		2,873,960
				2,070,275
33,615				673,965
				75,280
				335,907
				2,456,943
			909,675	1,221,673
	176,982		751	1,507,894
<u>70,615</u>	<u>898,832</u>	<u>167,141</u>	<u>910,426</u>	<u>11,215,897</u>
4,432	(310,824)	(33,425)	575	(1,021,751)
				17,963
	369,223			942,736
				(942,736)
	<u>369,223</u>			<u>17,963</u>
4,432	58,399	(33,425)	575	(1,003,788)
81,026	36,546	271,505	2,565	3,913,627
<u>\$ 85,458</u>	<u>\$ 94,945</u>	<u>\$ 238,080</u>	<u>\$ 3,140</u>	<u>\$ 2,909,839</u>
\$ 88,559	\$ 95,306	\$ 238,080	\$ 3,140	\$ 2,959,071
(3,101)	(361)			(67,195)
				17,963
<u>\$ 85,458</u>	<u>\$ 94,945</u>	<u>\$ 238,080</u>	<u>\$ 3,140</u>	<u>\$ 2,909,839</u>

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

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TO THE FINANCIAL STATEMENT**

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**TRIGG COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2020

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

Trigg County Hospital would have been included in the reporting entity under accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. However, under the regulatory basis, they are no longer a required component of the reporting entity.

B. Basis of Accounting

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

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

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

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

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

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.

TRIGG 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)

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

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

Sheriff Fund - The primary purpose of this fund is to account for the expenses of the sheriff's office. The primary sources of receipts for this fund are tax commissions and fees for services provided by the sheriff's office.

Escrow ABC Fund - The primary purpose of this fund is to account for the expenses for alcohol beverage control for the county. The primary sources of receipts for this fund are alcohol vendor licenses and local alcohol regulatory fees.

Unbudgeted Funds

The fiscal court reports the following unbudgeted fund:

Public 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 public justice center corporation fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually.

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

Note 1. Summary of Significant Accounting Policies (Continued)

E. Trigg County Elected Officials

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

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

F. Deposits and Investments

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

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

G. Long-term Obligations

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

H. Joint Ventures

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 Trigg Fiscal Court:

Cadiz-Trigg County Tourist & Convention Commission
Cadiz-Trigg County Economic Development Commission
Cadiz-Trigg County Parks & Recreation Department
Cadiz-Trigg County Planning Commission

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

Note 1. Summary of Significant Accounting Policies (Continued)

I. Direct Borrowings and Direct Placements

GASB Statement No. 88 – Certain Disclosures Related To Debt, Including Direct Borrowings and Direct Placements.

This statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit, assets pledged as collateral for the debt and terms specified in debt agreements related to significant events of default with finance – related consequences, significant termination events with finance – related consequences and significant subjective acceleration clauses.

Note 2. Deposits

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

Custodial Credit Risk - Deposits

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

Note 3. Transfers

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

	General Fund	Road Fund	Total Transfers In
General Fund	\$	\$ 223,513	\$ 223,513
Jail Fund	350,000		350,000
Sheriff Fund	369,223		369,223
Total Transfers Out	<u>\$ 719,223</u>	<u>\$ 223,513</u>	<u>\$ 942,736</u>

Reason for transfers:

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

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

Note 4. Long-term Debt

A. Direct Borrowings and Direct Placements

1. Trigg County Hospital

On February 26, 2016, the Trigg County Fiscal Court entered into a financing agreement for \$2,025,000 with the Kentucky Association of Counties Finance Corporation for the purpose of (i) providing a grant to Trigg County Hospital, Inc., to make healthcare and healthcare related facilities available for use by the citizens of the county. Interest is payable semi-annually on June 20 and December 20 at a rate of 3 percent. Principal is payable annually on December 20. This agreement is continually secured by the faith, credit and revenue of the county. If an event of default occurs and continues beyond a period of thirty (30) days following notice of default given in writing to such defaulting party by any other party, the non-defaulting party may enforce the obligations of the defaulting party to the agreement, provided, however, the sole remedy available is any proceeding to enforce agreement shall be an action in mandamus, for specific performance or similar remedy to compel performance. Total principal balance outstanding as of June 30, 2020, was \$1,560,000. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 125,000	\$ 46,100
2022	125,000	43,288
2023	130,000	40,425
2024	130,000	36,850
2025	135,000	32,550
2026-2030	750,000	92,563
2031	165,000	3,338
Totals	<u>\$ 1,560,000</u>	<u>\$ 295,114</u>

2. Trigg County Senior Citizens Center

On September 19, 2017, the Trigg County Fiscal Court entered into a financing agreement for \$610,000 with the Kentucky Association of Counties Finance Corporation to refunding a portion of the outstanding lease agreement by and between the Kentucky Association of Counties Finance Corporation and the county of Trigg, Kentucky, dated December 16, 2010 (the "Prior Lease"), the proceeds of which were used to refinance a lease dated July 20, 2009, the proceeds of which were used to finance the construction of a new senior citizens center. Interest and principal are payable monthly on the first day of the month at an interest rate of 3.53 percent. 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 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 or 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.

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

Note 4. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

2. Trigg County Senior Citizens Center (Continued)

Total principal balance outstanding as of June 30, 2020, was \$557,500. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 17,500	\$ 21,356
2022	22,500	20,438
2023	25,000	19,256
2024	25,000	17,944
2025	25,000	16,631
2026-2030	150,000	64,894
2031-2035	160,000	40,062
2036-2039	132,500	11,637
Totals	<u>\$ 557,500</u>	<u>\$ 212,218</u>

3. Pennyrile Area Development District Office

On July 5, 2018, the Trigg County Fiscal Court entered into a financing agreement for \$500,000 with the Kentucky Association of Counties Finance Corporation to refinance of lease agreement by and between Kentucky Association of Counties Leasing Trust and Pennyrile Area Development District dated March 17, 2008 originally issued to finance the renovation and construction of an office building for Pennyrile Area Development District. Interest and principal are payable monthly on the 20th day of the month with final payment due December 20, 2036, at an interest rate of 3.567 percent. Total principal balance outstanding as of June 30, 2020, was \$465,000. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 20,000	\$ 21,129
2022	20,000	20,079
2023	20,000	19,029
2024	22,500	17,979
2025	25,000	16,798
2026-2030	132,500	66,122
2031-2035	167,500	34,406
2036-2037	57,500	3,940
Totals	<u>\$ 465,000</u>	<u>\$ 199,482</u>

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

Note 4. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

4. Trigg County Sheriff's Office Promissory Note

On January 27, 2016, the Trigg County Fiscal Court entered into a promissory note with the Bank of Cadiz & Trust Company in order to purchase a new building for the sheriff's office. The note was in the amount of \$300,000, with an interest rate of 2.5 percent. Interest and principal payments are payable as of January 15 each year. Total principal balance outstanding as of June 30, 2020, was \$63,196. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 63,196	\$ 1,575
Totals	\$ 63,196	\$ 1,575

B. Other Debt

1. Trigg County Public Justice Center Corporation Lease Refunding Revenue Bonds, Series 2015

On April 23, 2015, the Trigg County Public Justice Center Corporation issued \$7,175,000 of Lease Refunding Revenue Bonds (Judicial Center Project), Series 2015. The bonds were issued by the corporation for the purpose of financing (i) the partial advance refunding of certain maturities of the \$12,280,000 Trigg County Public Justice Center Corporation Lease Revenue Bonds (Judicial Center Project), Series 2007; (ii) the payment of accrued interest, if any; (iii) the payment of the cost of issuance incurred with respect to the issuance of the bonds (project). The refunding plan is being undertaken to provide interest cost savings to the county and AOC. Interest is payable semi-annually on March 1 and September 1 at a rate of 3 percent. Principal is payable annually on September 1, beginning on September 1, 2019.

The corporation, the county, and the Administrative Office of the Courts (AOC) have entered into a lease rental agreement (lease) dated April 23, 2015, where in AOC will lease from the corporation the project, including the real property upon which the courthouse improvements are constructed at an agreed rental, which rental amount will be assigned by the corporation to the trustee and is anticipated to be adequate to pay approximately 100% of the principle and interest on the bonds. The lease does not require the county to make any rental payments toward the project, however, the county is obligated to provide for the operation, maintenance, insurance and repair of the project. The bonds are secured by a foreclosable mortgage lien on the project and by the assignment by the corporation of all its right, title and interest in the lease by and among the corporation, AOC, and the county.

Should AOC fail to pay the stipulated rentals due under the lease, or during any year for which it is renewed, and the county fails to cure such default by AOC within 30 days, at the times stipulated in the lease, all rights of AOC and all future options granted in the lease to the AOC or county in respect of payments in whole of the bonds shall in any event remain in full force and effect; provided that the trustee under the mortgage shall, upon the occurrence of an event of default, be entitled to take certain actions for the benefit of the owners of the bonds, including foreclosure of the mortgage lien on the project and sale thereof, but no such sale shall result or give rise to a deficiency judgment of any type or in any amount against AOC or the county or the corporation, and until such sale AOC or the county may at any time discharge the bonds and the interest thereon, in which event the county shall receive unencumbered fee simple title to the project.

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

Note 4. Long-term Debt (Continued)

B. Other Debt (Continued)

1. Trigg County Public Justice Center Corporation Lease Refunding Revenue Bonds, Series 2015 (Continued)

Total principal balance outstanding as of June 30, 2020, was \$6,470,000. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 730,000	\$ 183,150
2022	745,000	161,025
2023	770,000	138,300
2024	795,000	114,825
2025	820,000	90,600
2026-2028	<u>2,610,000</u>	<u>118,950</u>
Totals	<u>\$ 6,470,000</u>	<u>\$ 806,850</u>

C. Changes In Long-term Debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings And					
Direct Placements	\$ 2,858,183	\$	\$ 212,487	\$ 2,645,696	\$ 225,696
Other Debt	<u>7,175,000</u>		<u>705,000</u>	<u>6,470,000</u>	<u>730,000</u>
Total Long-term Debt	<u>\$ 10,033,183</u>	<u>\$</u>	<u>\$ 917,487</u>	<u>\$ 9,115,696</u>	<u>\$ 955,696</u>

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

Note 4. Long-term Debt (Continued)

D. Aggregate Debt Schedule

The aggregate debt schedule is as follows:

Fiscal year Ending June 30	Other Debt		Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
2021	\$ 730,000	\$ 183,150	\$ 225,696	\$ 273,310
2022	745,000	161,025	167,500	244,829
2023	770,000	138,300	175,000	217,010
2024	795,000	114,825	177,500	187,597
2025	820,000	90,600	185,000	156,579
2026-2030	2,610,000	118,950	1,032,500	342,528
2031-2035			492,500	77,806
2036-2039			190,000	15,577
Totals	\$ 6,470,000	\$ 806,850	\$ 2,645,696	\$ 1,515,236

Note 5. 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 6. Employee Retirement System

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

The county's contribution for FY 2018 was \$358,170, FY 2019 was \$448,657, and FY 2020 was \$551,774.

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.

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

Note 6. 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.

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

Note 6. 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.

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

Note 7. Deferred Compensation

The Trigg 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 8. Health Reimbursement Account

The Trigg County Fiscal Court established a health reimbursement account program to provide employees an additional health benefit. The county has contracted with a third-party administrator to administer the plan. The plan provides \$1,500 to employees who enroll in the core plan or decline county insurance. Employees may also contribute additional pre-tax funds through payroll deduction. The balance of the plan is \$23,151.

Note 9. Insurance

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

Note 10. Prior Period Adjustments

	Ending Cash Balance June 30, 2019	Adjustment for Voided Checks	Restated Cash Balance June 30, 2019
General Fund	\$ 1,613,900	\$ 10,748	\$ 1,624,648
Road Fund	1,851,498		1,851,498
Jail Fund	45,839		45,839
LGEA Fund	81,026		81,026
Sheriff Fund	36,536	10	36,546
Escrow ABC Fund	271,505		271,505
Public Justice Center Corporation Fund	2,565		2,565
Totals	<u>\$ 3,902,869</u>	<u>\$ 10,758</u>	<u>\$ 3,913,627</u>

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

Note 11. Payroll Revolving Account

The reconciled balance of \$17,963 for the payroll revolving account as of June 30, 2020, was added to the general fund cash balance for financial reporting purposes.

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TRIGG COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2020

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TRIGG COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2020

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 3,711,500	\$ 3,711,500	\$ 3,988,181	\$ 276,681
In Lieu Tax Payments	195,000	145,000	151,419	6,419
Excess Fees	140,000	140,000	151,053	11,053
Licenses and Permits	4,750	4,750	5,339	589
Intergovernmental	1,033,275	1,083,275	990,459	(92,816)
Charges for Services	130,000	130,000	159,741	29,741
Miscellaneous	114,000	114,000	221,929	107,929
Interest	30,000	30,000	24,648	(5,352)
Total Receipts	<u>5,358,525</u>	<u>5,358,525</u>	<u>5,692,769</u>	<u>334,244</u>
DISBURSEMENTS				
General Government	1,805,015	2,014,784	1,947,969	66,815
Protection to Persons and Property	1,764,480	1,743,487	1,723,427	20,060
General Health and Sanitation	646,036	658,932	640,350	18,582
Social Services	72,000	109,000	75,280	33,720
Recreation and Culture	421,600	378,651	335,907	42,744
Debt Service	46,101	280,001	311,998	(31,997)
Administration	1,407,026	977,403	951,701	25,702
Total Disbursements	<u>6,162,258</u>	<u>6,162,258</u>	<u>5,986,632</u>	<u>175,626</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(803,733)</u>	<u>(803,733)</u>	<u>(293,863)</u>	<u>509,870</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	268,513	268,513	223,513	(45,000)
Transfers To Other Funds	(846,223)	(846,223)	(719,223)	127,000
Total Other Adjustments to Cash (Uses)	<u>(577,710)</u>	<u>(577,710)</u>	<u>(495,710)</u>	<u>82,000</u>
Net Change in Fund Balance	(1,381,443)	(1,381,443)	(789,573)	591,870
Fund Balance - Beginning (Restated)	<u>1,381,443</u>	<u>1,381,443</u>	<u>1,624,648</u>	<u>243,205</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 835,075</u>	<u>\$ 835,075</u>

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

	ROAD FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
In Lieu Tax Payments	\$ 60,000	\$ 60,000	\$ 62,971	\$ 2,971
Intergovernmental	2,617,217	3,317,094	2,595,775	(721,319)
Miscellaneous	1,000	1,000	28,955	27,955
Interest	12,000	12,000	14,614	2,614
Total Receipts	<u>2,690,217</u>	<u>3,390,094</u>	<u>2,702,315</u>	<u>(687,779)</u>
DISBURSEMENTS				
Roads	1,831,120	2,531,497	2,456,943	74,554
Administration	659,639	659,139	334,027	325,112
Total Disbursements	<u>2,490,759</u>	<u>3,190,636</u>	<u>2,790,970</u>	<u>399,666</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>199,458</u>	<u>199,458</u>	<u>(88,655)</u>	<u>(288,113)</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	<u>(223,513)</u>	<u>(223,513)</u>	<u>(223,513)</u>	
Total Other Adjustments to Cash (Uses)	<u>(223,513)</u>	<u>(223,513)</u>	<u>(223,513)</u>	
Net Change in Fund Balance	(24,055)	(24,055)	(312,168)	(288,113)
Fund Balance - Beginning	<u>24,055</u>	<u>24,055</u>	<u>1,851,498</u>	<u>1,827,443</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,539,330</u>	<u>\$ 1,539,330</u>

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

	JAIL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 90,000	\$ 90,000	\$ 80,818	\$ (9,182)
Charges for Services	2,000	2,000	5,600	3,600
Miscellaneous	1,000	1,000	4,269	3,269
Interest	400	400	603	203
Total Receipts	<u>93,400</u>	<u>93,400</u>	<u>91,290</u>	<u>(2,110)</u>
DISBURSEMENTS				
Protection to Persons and Property	499,000	512,000	346,848	165,152
Administration	71,400	58,400	44,433	13,967
Total Disbursements	<u>570,400</u>	<u>570,400</u>	<u>391,281</u>	<u>179,119</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(477,000)</u>	<u>(477,000)</u>	<u>(299,991)</u>	<u>177,009</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	477,000	477,000	350,000	(127,000)
Total Other Adjustments to Cash (Uses)	<u>477,000</u>	<u>477,000</u>	<u>350,000</u>	<u>(127,000)</u>
Net Change in Fund Balance			50,009	50,009
Fund Balance - Beginning			<u>45,839</u>	<u>45,839</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 95,848</u>	<u>\$ 95,848</u>

TRIGG 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	\$ 70,000	\$ 70,000	\$ 74,408	\$ 4,408
Interest	400	400	639	239
Total Receipts	<u>70,400</u>	<u>70,400</u>	<u>75,047</u>	<u>4,647</u>
DISBURSEMENTS				
General Government	38,000	38,000	37,000	1,000
General Health and Sanitation	32,000	33,615	33,615	
Social Services	5,000	5,000		5,000
Administration	20,000	18,385		18,385
Total Disbursements	<u>95,000</u>	<u>95,000</u>	<u>70,615</u>	<u>24,385</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(24,600)</u>	<u>(24,600)</u>	<u>4,432</u>	<u>29,032</u>
Net Change in Fund Balance	(24,600)	(24,600)	4,432	29,032
Fund Balance - Beginning	<u>24,600</u>	<u>24,600</u>	<u>81,026</u>	<u>56,426</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 85,458</u>	<u>\$ 85,458</u>

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

	SHERIFF FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 500,000	\$ 500,000	\$ 584,247	\$ 84,247
Miscellaneous	1,500	1,500	3,450	1,950
Interest	250	250	311	61
Total Receipts	<u>501,750</u>	<u>501,750</u>	<u>588,008</u>	<u>86,258</u>
DISBURSEMENTS				
General Government	705,473	745,525	721,850	23,675
Administration	165,500	125,448	176,982	(51,534)
Total Disbursements	<u>870,973</u>	<u>870,973</u>	<u>898,832</u>	<u>(27,859)</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(369,223)</u>	<u>(369,223)</u>	<u>(310,824)</u>	<u>58,399</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>369,223</u>	<u>369,223</u>	<u>369,223</u>	
Total Other Adjustments to Cash (Uses)	<u>369,223</u>	<u>369,223</u>	<u>369,223</u>	
Net Change in Fund Balance			58,399	58,399
Fund Balance - Beginning (Restated)			<u>36,546</u>	<u>36,546</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 94,945</u>	<u>\$ 94,945</u>

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

	ESCROW ABC FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Licenses and Permits	\$ 8,500	\$ 8,500	\$ 9,720	\$ 1,220
Miscellaneous	115,000	115,000	123,528	8,528
Interest	500	500	468	(32)
Total Receipts	<u>124,000</u>	<u>124,000</u>	<u>133,716</u>	<u>9,716</u>
DISBURSEMENTS				
General Government	110,500	170,500	167,141	3,359
Administration	60,000			
Total Disbursements	<u>170,500</u>	<u>170,500</u>	<u>167,141</u>	<u>3,359</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(46,500)</u>	<u>(46,500)</u>	<u>(33,425)</u>	<u>13,075</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	<u>(45,000)</u>	<u>(45,000)</u>		<u>45,000</u>
Total Other Adjustments to Cash (Uses)	<u>(45,000)</u>	<u>(45,000)</u>		<u>45,000</u>
Net Change in Fund Balance	(91,500)	(91,500)	(33,425)	58,075
Fund Balance - Beginning	<u>91,500</u>	<u>91,500</u>	<u>271,505</u>	<u>180,005</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 238,080</u>	<u>\$ 238,080</u>

TRIGG 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 – Budgetary Basis to Regulatory Basis

Total Other Adjustments to Cash (Uses) - Budgetary Basis	\$ (495,710)
To adjust for Payroll Revolving Account	<u>17,963</u>
Total Other Adjustments to Cash (Uses) - Regulatory Basis	<u><u>\$ (477,747)</u></u>
Fund Balance - Ending - Budgetary Basis	835,075
To adjust for Payroll Revolving Account	<u>17,963</u>
Total Fund Balance - Ending - Regulatory Basis	<u><u>\$ 853,038</u></u>

Note 3. Excess of Disbursements Over Appropriations

General fund, debt service line item, exceeded budgeted appropriations by \$31,997. Sheriff fund, administration line item, exceeded budgeted appropriations by \$51,534 and the sheriff fund total budgeted appropriations were overspent by \$27,859.

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

For The Year Ended June 30, 2020

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TRIGG 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	\$ 458,158	\$	\$	\$ 458,158
Construction In Progress	43,640	728,621	772,261	
Buildings and Building Improvements	17,548,210	772,261		18,320,471
Machinery and Equipment	1,835,952			1,835,952
Vehicles	2,009,410	75,378	110,101	1,974,687
Infrastructure	8,413,069	54,000		8,467,069
Total Capital Assets	<u>\$ 30,308,439</u>	<u>\$ 1,630,260</u>	<u>\$ 882,362</u>	<u>\$ 31,056,337</u>

TRIGG 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.

	<u>Capitalization Threshold</u>	<u>Useful Life (Years)</u>
Land Improvements	\$ 25,000	10-60
Buildings and Building Improvements	\$ 75,000	10-75
Machinery and Equipment	\$ 25,000	3-25
Vehicles	\$ 20,000	3-25
Infrastructure	\$ 60,000	10-50

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

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Hollis Alexander, Trigg County Judge/Executive
Members of the Trigg 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 Trigg County Fiscal Court for the fiscal year ended June 30, 2020, and the related notes to the financial statement which collectively comprise the Trigg County Fiscal Court's financial statement and have issued our report thereon dated May 11, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Trigg 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 Trigg County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Trigg 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 2020-003 and 2020-006 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 2020-001, 2020-002, 2020-004, 2020-005, 2020-007, 2020-008, and 2020-009 to be significant deficiencies.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Trigg 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 2020-003 and 2020-006.

Views of Responsible Official and Planned Corrective Action

Trigg 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 of 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

May 11, 2021

**TRIGG COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2020

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**TRIGG COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2020

FINANCIAL STATEMENT FINDINGS:

2020-001 The Trigg County Fiscal Court Lacks An Adequate Segregation Of Duties Over Receipts And Financial Reporting

This is a repeat finding and was included in the prior year audit report as finding 2019-001. The fiscal court does not have an adequate segregation of duties or documented compensating controls over recording, reconciling and reporting receipts. The county treasurer collects receipts, records transactions on ledgers, reconciles accounts, and prepares reports. Reviews of these financial activities are not documented by anyone else in the office. While the duties listed above are statutorily required duties of the treasurer, the fiscal court also failed to establish sufficient oversight procedures to ensure receipts are properly recorded, reconciled, and reported.

The lack of segregation of duties and lack of compensating controls led to inaccurate financial reporting as discussed in findings 2020-002, 2020-003, and 2020-006. This lack of internal controls could also lead to the misappropriation of assets or fraud. An adequate segregation of duties is achieved by separating the functions of authorizing, recording, reconciling and reporting duties. If duties cannot be segregated, compensating controls should be in place to ensure receipts are complete, accurate, and valid. These compensating controls should be documented by the individual or individuals performing the review.

We recommend the fiscal court segregate duties related to recording, reconciling, and reporting receipts. If segregating duties is not feasible, the fiscal court should implement oversight procedures. All review procedures should be signed and dated by employee performing the review.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: In an effort to segregate duties, Trigg County has an employee (other than the treasurer) to open mail and document checks in a spreadsheet. Any receipts that come from another source than the mail are signed off by at least one other employee and the treasurer. All receipts from the recreation complex are brought to our office by the complex director. The money is counted by the Administrative Assistant to confirm what the Complex Director has brought in, then the money is counted by the treasurer. Money brought in from the recycling center is signed off by two employees at the recycling center, usually the Solid Waste Coordinator and another employee. Then that money is confirmed by the treasurer. Receipts to rent any facility at the Recreation Complex is brought directly to the Judge Executive's office. Receipts are given to anyone who brings in money and the money is counted by the Administrative Assistant and the County Treasurer. All deposit slips from the bank are signed off by another employee (not the treasurer) to ensure that all checks are deposited properly.

2020-002 The Trigg County Fiscal Court Overspent In Two Funds Due To An Unbalanced Budget Being Presented On The Fourth Quarter Financial Report

This is a repeat finding was included in the prior year audit report in part as finding 2019-005. The Trigg County Fiscal Court approved an original budget of \$10,359,890 for fiscal year ended June 30, 2020. In November 2019, the fiscal court approved a budget amendment in the amount of \$699,877 thereby bringing the final budget for the fiscal year to \$11,059,767. However, the budget reported on the fourth quarter financial report for fiscal year ending June 30, 2020, showed \$10,434,890 for receipts and \$10,913,767 for disbursements. Therefore, the budget reported to the fiscal court and presented to the Department of Local Government on the fourth quarter financial report was unbalanced by \$478,877. Additionally, the fiscal court also failed to budget for debt obligations related to a financing agreement on the Pennyrile Area Development District (PADD) building.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2020-002 The Trigg County Fiscal Court Overspent In Two Funds Due To An Unbalanced Budget Being Presented On The Fourth Quarter Financial Report (Continued)

This debt is in the county's name but is being paid by the PADD office. For the fiscal year 2020, \$41,835 was paid on this debt obligation, which was not recorded or reported on the quarterly financial report.

Budgeted amounts reported on the fourth quarter financial report did not agree to the approved budget which resulted in the sheriff fund being overspent by \$27,859. The general fund, debt service line item, was overspent by \$31,997 due to the omission of the PADD debt activity. These issues were caused by the amounts of the budget amendment being input erroneously on the fiscal court's software. Also, the fiscal court failed to account for the PADD debt obligation. Additionally, the fiscal court has not implemented control procedures to ensure budget and budget amendments are accurately reported on quarterly financial reports.

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." Good internal controls dictate that procedures be in place to ensure the approved budget and subsequent budget amendments are accurately reported on the quarterly financial report.

KRS 68.300 states, "[a]ny appropriation made or claim allowed by the fiscal court in excess of any budget fund, and any warrant or contract not within the budget appropriation, shall be void. No member of the fiscal court shall vote for any such illegal appropriation or claim. The county treasurer shall be liable on his official bond for the amount of any county warrant willfully or negligently signed or countersigned by him in excess of the budget fund out of which the warrant is payable."

Also, good internal controls dictate that procedures be in place to ensure sufficient budget appropriations are available prior to approving and paying claims and all county debt obligations are appropriately recorded on the county's ledgers.

We recommend the fiscal court establish control procedures to ensure approved budget and any budget amendments are accurately reported on quarterly financial report, as well as having procedures in place to ensure the inclusion of all fiscal court financial activity on financial reporting.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: The reports matched before being submitted to DLG. Due to the numbers being updated on the Treasurer's Settlement, the amounts were altered and not corrected.

2020-003 The Trigg County Fiscal Court Failed To Report Over \$7,000,000 In Outstanding Debt Obligations

This is a repeat finding and was included in the prior year audit report as finding 2019-003. The fiscal court did not report all outstanding debt bearing the county's name on the Schedule of Outstanding Liabilities as of June 30, 2020. Debt obligations related to the justice center bonds and the financing agreement on the Pennyrile Area Development District office building were both omitted from the report. The outstanding principle balance of the justice center bonds as of June 30, 2020, was \$6,470,000, outstanding principle balance of financing agreement on PADD building as of June 30, 2020, was \$465,000. Also, principle balances reported for the hospital lease was understated by \$225,000, senior citizens lease was understated by \$11,875, and sheriff's office building loan was overstated by \$65,952.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2020-003 The Trigg County Fiscal Court Failed To Report Over \$7,000,000 In Outstanding Debt Obligations (Continued)

The fiscal court has not implemented control procedures to ensure outstanding debt bearing the county's name is reported accurately on the quarterly financial report. Outstanding debt obligations reported to the Department for Local Government were materially understated. Also, due to this omission, the county may not be aware of the future financial obligations necessary to retire debt.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. This uniform system of accounts is outlined in *The County Budget Preparation and State Local Finance Officer Policy Manual* issued by the Department for Local Government (DLG). *The County Budget Preparation and State Local Finance Officer Policy Manual* (page 75) outlines instruction for completing the Section III: Outstanding Liabilities Section of the quarterly financial report. This budget section is to be utilized for reporting all current long-term debt, including public corporation bonds, general obligation bonds, Governmental Leasing Act issues, and bond anticipation notes. The instruction include reporting:

- Principal Balance Remaining - The principal amount outstanding at the time of the report,
- Interest Balance Remaining - The amount of scheduled interest outstanding at the time of the report,
- Net Outstanding - The sum of principal balance and interest balance (line 10 plus line 11) remaining,
- Total Outstanding Debt - The sum of the net outstanding for all liabilities, both long term and short term.

The *County Budget Preparation and State Local Finance Officer Policy Manual* (page 72) also requires – all county money is to be reported on the financial statement whether it is included in the budget or not. The statement is a cumulative report and is prepared, signed and dated by the county judge/executive and the county treasurer pursuant to KRS 68.210. Also, good internal controls dictate procedures be in place to ensure outstanding debt reported be complete and accurate at time of filing the report.

We recommend the fiscal court establish control procedures to ensure all outstanding debt obligations bearing the county's name are accurately reported on quarterly financial reports.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: A sublease between Trigg County and the Pennyriple Area Development District is attached. It shows the transferred financial responsibility to PADD in its entirety.

Auditor's Reply: All debt described above was financed in the name of Trigg County or The Trigg County Public Justice Center. This debt is ultimately the responsibility of Trigg County Fiscal Court.

2020-004 The Trigg County Fiscal Court Has Not Implemented Adequate Controls Over Off-Site Collections

The fiscal court has not implemented adequate controls over receipts collected by off-site locations. The fiscal court does not require off-site locations to submit any documentation to ensure amounts received are complete and accurate. The fiscal court receives money from off-site locations for concession sales, complex rentals, and recycling fees.

Concession sales are mostly cash transactions collected by the complex director during sporting events. These transactions are processed through a cash register; however, the cash register tape is not provided to the county to ensure amount received is accurate. Also, the complex director keeps the cash from concession sales at his house overnight.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2020-004 The Trigg County Fiscal Court Has Not Implemented Adequate Controls Over Off-Site Collections
 (Continued)

Complex rentals fees are collected by the complex director at the time of scheduling, but receipts are not issued to the customer. The complex director maintains a calendar of events to ensure building is open and available for the customers. However, a copy of the calendar of events is not provided to the county to determine that all rental fees collected are turned over to the county.

Recycling fees are collected at the recycling center. Customers are not given a receipt. The recycling center employee take the cash/check and places it into a lockbox and writes the items on a receipts listing. Money and a receipts listing is turned into the county treasurer's office once a week.

The fiscal court has failed to realize the importance of establishing controls procedures over receipts from off-site locations, which are at greater risk of misappropriation. Since control procedures have not being implemented over receipts from off-site locations, the fiscal court cannot ensure that all receipts are accounted for properly. Without requiring adequate documentation, proper collection procedures, and sufficient supervisor oversight, the fiscal court is increasing the risk of misappropriation of county assets or fraud occurring in these areas.

KRS 64.840 also requires that any receipt for a fine, forfeiture, tax, or fee to a county official should have triplicate receipt copies, with one copy given to the person paying the fine, forfeiture, tax, or fee, one copy retained for recordkeeping, and one copy placed with the daily bank deposit. Good internal controls dictate the procedures be in place to ensure all receipts collected are complete and accurate, especially from off-site locations that do not fall within the county's normal collection process.

We recommend the fiscal court implement control procedures for receipts collected by off-site locations. At a minimum, the fiscal court should require off-site locations to maintain and submit supporting documentation on amounts collected. This could include cash register tapes, calendar of events log, receipts issued to customers, and daily check out sheet.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: Any receipts that come from another source than the mail are signed off by at least one other employee and the treasurer. All receipts from the recreation complex are brought to our office by the complex director. The money is counted by the Administrative Assistant to confirm what the Complex Director has brought in, then the money is counted by the treasurer. Money brought in from the recycling center is signed off by two employees at the recycling center, usually the Solid Waste Coordinator and another employee. Then that money is confirmed by the treasurer. Receipts to rent any facility at the Recreation Complex is brought directly to the Judge Executive's office. Receipts are given to anyone who brings in money and the money is counted by the Administrative Assistant and the County Treasurer.

2020-005 The Trigg County Fiscal Court Did Not Maintain Adequate Documentation To Support Payroll Disbursements

Based on test of timesheets, 5 out of 18 employees were compensated for hours not actually worked. One employee was paid 48 hours for each pay period for the month, However, the employee's timesheet documented that the employee only worked 25 hours the first period and did not work at all the second pay period.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2020-005 The Trigg County Fiscal Court Did Not Maintain Adequate Documentation To Support Payroll Disbursements (Continued)

One employee was paid eight hours of overtime; however, no overtime hours were documented on the employee's timesheet. One employee was paid 50 hours for the pay period; however, the employee's timesheet documented that the employee only worked 22 hours during the pay period. One employee's timesheet documented 36 hours worked during the pay period, however, the employee was paid for only 21.5 hours. One employee was paid twice for sick leave used.

Additionally, the fiscal court does not set a fixed compensation rate for each county employee but rather a range of rates. For example, the yearly compensation range approved for one employee was \$36,000 to \$55,000 or \$17 to \$26 per hour. Set a range of compensation rates were approved, it was impossible to determine if employees were compensated properly.

The fiscal court has not implemented control procedures to ensure approved timesheets agree to payroll summary reports. The lack of effective internal controls over payroll opens to county up to being vulnerable to fraud related to payroll expenses.

KRS 64.530 states, in part, "...the fiscal court of each county shall fix the reasonable compensation of every county officer and employee..." Also, good internal controls dictate that procedures be in place to ensure that employees are properly compensated based on hours worked.

We recommend the fiscal court approve salaries and hourly wage rates at fixed amounts for all county employees. We also recommend the fiscal court strengthen internal controls over the timekeeping function by requiring timesheets to be compared to payroll summary reports to ensure employees are received the accurate amount of wages.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: Hours are given to the treasurer before the timesheets are presented if it is the middle of the month. Those hours did not properly match up. The Treasurer will ensure that the hours align with what managers/supervisors submit. Also, some hours were altered due to COVID-19. Furthermore, the pay scale was updated in May 2021 to ensure that all employees are paid within the scale.

2020-006 The Trigg County Fiscal Court Did Not Prepare A Financial Statement For The Public Justice Center Corporation Fund

The fiscal court maintains an unbudgeted fund, public justice center corporation fund, to account for bond issuance and debt payments related to the construction of the justice center. During fiscal year 2020, this fund received \$910,675 from the Administrative Office of the Courts and expended \$910,426 on debt payments and administrative fees. The fiscal court maintains ledgers related to the justice center fund but did not prepare an annual financial statement. The county treasurer was not aware that an official financial statement was required to be prepared on the justice center fund.

Due to the omission of the financial activity related to the justice center corporation fund, the county's financial statements as of June 30, 2020, were materially misstated. Audit adjustments have been proposed to account for the fund.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2020-006 The Trigg County Fiscal Court Did Not Prepare A Financial Statement For The Public Justice Center Corporation Fund (Continued)

The public justice center corporation is a component unit of the Trigg County Fiscal Court. As such, the fiscal court is responsible to account for these funds in accordance with the requirements set forth by the state local finance officer. KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. This uniform system of accounts is outlined in *The County Budget Preparation and State Local Finance Officer Policy Manual* (DLG Budget Manual) issued by the Department for Local Government (DLG), which requires county government to maintain a receipts and disbursements journal, perform monthly bank reconciliations, and prepare an annual financial statement.

While DLG does not require the public justice center corporation to be budgeted, the fiscal court is required to maintain a receipts and disbursements journal, perform monthly bank reconciliations, and prepare a year-end financial statement for the public justice center corporation. Good internal controls dictate that procedures be in place to ensure all financial activity related to operating the county is properly reported.

We recommend the fiscal court establish procedures to ensure compliance with DLG requirements for reporting financial activity related to the public justice center corporation.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: A Spreadsheet has been created to maintain the Public Justice Center Corporation Fund and was believed to be adequate. The County Treasurer is not privileged to any other information apart from the monthly statement.

2020-007 The Trigg County Fiscal Court Did Not Accurately Reconcile Bank Accounts

This is a repeat finding and was included in the prior year audit report as finding 2019-002. Bank reconciliations for the general fund and road fund as of June 30, 2020, were inaccurate. Ending bank balances on reconciliations did not agree to bank statements due to outstanding checks on the general fund reconciliation being understated by \$48,789 and outstanding checks on the road fund reconciliation being overstated by \$12,357. Also, the payroll account did not reconcile to zero. The reconciled book balance of the payroll account as of June 30, 2020, was \$17,963.

The fiscal court has not established oversight procedures to ensure bank reconciliations are prepared accurately. According to the county treasurer, outstanding checks related to the payroll account were included on the general fund and road fund reconciliations by mistake. The county treasurer does not know what caused this to occur. By not accurately reconciling accounts, the fiscal court cannot ensure county funds are properly safeguarded and available for county use. Also, the fiscal court is not aware of the current financial status of the county.

Good internal controls dictate that procedures be in place to ensure bank reconciliation are prepared accurately and reflect the amount currently available to conduct county business. Bank reconciliations should be reviewed for accuracy by an individual outside the recording and reporting process. Additionally, the payroll account is a revolving account, as such, should reconcile to zero. Good internal controls dictate that procedures be in place to ensure amounts transferred to the payroll account agree to payroll obligations each pay period.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2020-007 The Trigg County Fiscal Court Did Not Accurately Reconcile Bank Accounts (Continued)

We recommend the fiscal court establish control procedures to ensure bank reconciliations are accurate. We also recommend the fiscal court implement strong internal controls over the payroll revolving account. These controls should include having someone independent of the payroll function verify proper amounts are transferred to the payroll revolving account from the corresponding operating funds.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: Bank Accounts will maintain proper reconciliation. Due to an unknown error, these amounts did not match up. The amount in the Payroll Account is a result of several years of keeping extra funds in there to ensure no overdrafts.

2020-008 The Trigg County Fiscal Court Does Not Have Adequate Controls Over The Health Reimbursement Account (HRA) Program

The fiscal court does not have adequate control procedures over the health reimbursement account program (HRA). The HRA is currently set up so that the fiscal court periodically transfers funds into the insurance account. Throughout the plan year, the fiscal court allows the service organization that handles this program to draw lump sum amounts from the insurance account. The service organization sends an email requesting an amount to be withdrawn. There is no documentation as to which employee the draws are for or the balances in each employee's accounts.

According to the Benefit Plan Report as of June 30, 2020, the HRA balance was \$23,151. However, the fiscal court's insurance account had a reconciled book balance of \$46,466. This means that the HRA was overfunded by \$23,315. The fiscal court did not realize that they should have oversight procedures over the health reimbursement account program. Good internal controls dictate that procedures be in place to ensure the HRA is adequately funded and employees' accounts balances are being maintained.

We recommend the fiscal court establish oversight procedures for HRA and maintain documentation on employees' balances to ensure the appropriate amounts are provided to the HRA.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: Trigg County receives monthly reports from our HRA to show the amounts remaining for each individual. We set aside several thousand dollars at the beginning of the year and BMS requests draws throughout the year for the individuals.

2020-009 The Trigg County Fiscal Court Did Not Maintain Adequate Internal Controls For Alcohol Beverage Control Receipts

The Trigg County Fiscal Court imposed a regulatory license fee to be assessed on all alcohol sales within the county. The payment of the fee shall accompany a tax return. During testing of alcohol beverage control (ABC) receipts, the county treasurer realized that the ABC tax returns could not be located. The county treasurer explained that the records are kept together in a folder on her desk during the year and then filed away. The ABC tax returns could not be located for the year under audit.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2020-009 The Trigg County Fiscal Court Did Not Maintain Adequate Internal Controls For Alcohol Beverage Control Receipts (Continued)

If supporting documentation is not maintained it is not possible to ensure receipts reported are complete and accurate. This lack of internal controls could lead to inaccurate financial reporting, misappropriation, or even fraud without being detected.

According to County Ordinance 10-0-01, “A Comprehensive Regulatory Ordinance For The Sale And Distribution Of Alcohol Beverages Within The County of Trigg, Kentucky”, the fiscal court imposed a regulatory license fee to be assessed on all alcohol sales within the county. Section 5:02 of the ordinance addresses payments of regulatory fees and states, “Payment of regulatory license fee shall accompany tax returns approved by the Administrator and the County Treasurer. The return shall be submitted to the Administrator by the 15th day of each month for the preceding month’s sales.”

Good internal controls dictate that procedures be in place to ensure that documentation submitted (tax returns) along with regulatory fees be maintained by the administrator (county) to support receipts of these fees.

We recommend the fiscal court maintain documentation (tax returns) to support all fees collected during the fiscal year.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive’s Response: The current fiscal year Alcohol receipts are maintained. The receipts for 2019-2020 were misplaced.

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

TRIGG COUNTY FISCAL COURT

For The Year Ended June 30, 2020

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CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE

TRIGG COUNTY FISCAL COURT

For The Year Ended June 30, 2020

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



County Judge/Executive



County Treasurer