

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

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



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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 Larry Curling, Caldwell County Judge/Executive
Members of the Caldwell 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 Caldwell County Fiscal Court, for the year ended June 30, 2020, and the related notes to the financial statement which collectively comprise the Caldwell County Fiscal Court's financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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



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

As described in Note 1 of the financial statement, the financial statement is prepared by the Caldwell 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 Caldwell County Fiscal Court as of June 30, 2020, or changes in financial position or cash flows thereof for the year then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

The Caldwell County Fiscal Court did not provide adequate documentation for occupational tax receipts and net profit tax receipts. As a result, we were unable to obtain sufficient appropriate audit evidence to conclude that the financial statement as a whole is free from material misstatement.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of the matters discussed in the Basis for Qualified Opinion on Regulatory Basis of Accounting paragraph, the financial statement referred to above presents fairly, in all material respects, the fund balances of the Caldwell 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 Caldwell 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.

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Other Matters (Continued)

Supplementary and Other Information (Continued)

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2021, on our consideration of the Caldwell 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 Caldwell 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 Caldwell County Fiscal Court Failed To Maintain Adequate Financial Records For Occupational Taxes And Net Profit Taxes
- 2020-002 The Caldwell County Fiscal Court Failed To Implement Adequate Internal Controls Over Payroll
- 2020-003 The Caldwell County Fiscal Court Failed To Implement Adequate Internal Controls Over Disbursements
- 2020-004 The Caldwell County Fiscal Court's Financial Statement Omitted The Ending Cash Balance For The Ambulance Fund

Respectfully submitted,



Mike Harmon
 Auditor of Public Accounts

October 20, 2021

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

| | |
|----------------|------------------------|
| Larry Curling | County Judge/Executive |
| Elbert Bennett | Magistrate |
| Jeff Boone | Magistrate |
| Brent Stallins | Magistrate |
| Jeff Simms | Magistrate |

Other Elected Officials:

| | |
|------------------|----------------------------------|
| Roy Massey IV | County Attorney |
| Jon Pettit | Jailer |
| Toni Watson | County Clerk |
| Danny Hooks | Circuit Court Clerk |
| Stan Hudson | Sheriff |
| Ronald Wood | Property Valuation Administrator |
| Dewayne Trafford | Coroner |

Appointed Personnel:

| | |
|---------------|-------------------------------|
| Glenda Harper | County Treasurer |
| Tammy Brasher | Finance Officer |
| Wendall Lane | Road Supervisor |
| Cheryl Pettit | Jail Administrative Assistant |

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

For The Year Ended June 30, 2020

CALDWELL 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 | \$ 3,198,087 | \$ | \$ |
| In Lieu Tax Payments | 45,681 | | |
| Excess Fees | 31,380 | | |
| Licenses and Permits | 10,390 | | |
| Intergovernmental | 591,713 | 1,836,698 | 175,671 |
| Charges for Services | 1,195 | | 63,351 |
| Miscellaneous | 179,831 | 2,943 | 20,539 |
| Interest | 23,531 | 13,504 | 36 |
| Total Receipts | <u>4,081,808</u> | <u>1,853,145</u> | <u>259,597</u> |
| DISBURSEMENTS | | | |
| General Government | 1,320,327 | | |
| Protection to Persons and Property | 729,650 | | 609,616 |
| General Health and Sanitation | 52,000 | | |
| Social Services | 2,700 | | |
| Recreation and Culture | 52,931 | | |
| Roads | | 1,261,298 | |
| Airports | 5,000 | | |
| Debt Service | 27,097 | | |
| Capital Projects | 1,000 | | |
| Administration | 698,334 | 225,066 | 251,148 |
| Total Disbursements | <u>2,889,039</u> | <u>1,486,364</u> | <u>860,764</u> |
| Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses) | <u>1,192,769</u> | <u>366,781</u> | <u>(601,167)</u> |
| Other Adjustments to Cash (Uses) | | | |
| Change in Payroll Revolving Account | 3,494 | | |
| Transfers From Other Funds | 88,291 | | 600,000 |
| Transfers To Other Funds | (789,000) | | |
| Total Other Adjustments to Cash (Uses) | <u>(697,215)</u> | | <u>600,000</u> |
| Net Change in Fund Balance | 495,554 | 366,781 | (1,167) |
| Fund Balance - Beginning (Restated) | <u>1,633,781</u> | <u>490,729</u> | <u>46,215</u> |
| Fund Balance - Ending | <u>\$ 2,129,335</u> | <u>\$ 857,510</u> | <u>\$ 45,048</u> |
| Composition of Fund Balance | | | |
| Bank Balance | \$ 2,138,094 | \$ 859,152 | \$ 45,365 |
| Payroll Revolving Account | 5,450 | | |
| Less: Outstanding Checks | (14,209) | (1,642) | (317) |
| Fund Balance - Ending | <u>\$ 2,129,335</u> | <u>\$ 857,510</u> | <u>\$ 45,048</u> |

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

CALDWELL 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 | Grant Fund | Ambulance Fund | Jail Commissary Fund | Total Funds |
| \$ | \$ | \$ | \$ | \$ 3,198,087 |
| | | | | 45,681 |
| | | | | 31,380 |
| 14,400 | | | | 24,790 |
| 206,521 | | 30,933 | | 2,841,536 |
| 4,646 | | | | 69,192 |
| 3,135 | | 13,563 | 73,529 | 293,540 |
| 18 | | 28 | | 37,117 |
| <u>228,720</u> | | <u>44,524</u> | <u>73,529</u> | <u>6,541,323</u> |
| | | | | |
| 32,155 | | | | 1,352,482 |
| | | 74,454 | | 1,413,720 |
| 157,503 | | | | 209,503 |
| | | | | 2,700 |
| | | | 107,493 | 160,424 |
| | | | | 1,261,298 |
| | | | | 5,000 |
| | | | | 27,097 |
| | | | | 1,000 |
| <u>66,558</u> | | <u>31,035</u> | | <u>1,272,141</u> |
| <u>256,216</u> | | <u>105,489</u> | <u>107,493</u> | <u>5,705,365</u> |
| | | | | |
| <u>(27,496)</u> | | <u>(60,965)</u> | <u>(33,964)</u> | <u>835,958</u> |
| | | | | |
| | | | | 3,494 |
| 39,000 | | 150,000 | | 877,291 |
| | | (88,291) | | (877,291) |
| <u>39,000</u> | | <u>61,709</u> | | <u>3,494</u> |
| | | | | |
| 11,504 | | 744 | (33,964) | 839,452 |
| <u>58,903</u> | <u>11</u> | <u>30,199</u> | <u>57,806</u> | <u>2,317,644</u> |
| <u>\$ 70,407</u> | <u>\$ 11</u> | <u>\$ 30,943</u> | <u>\$ 23,842</u> | <u>\$ 3,157,096</u> |
| | | | | |
| \$ 70,407 | \$ 11 | \$ 30,943 | \$ 25,382 | \$ 3,169,354 |
| | | | | 5,450 |
| | | | (1,540) | (17,708) |
| <u>\$ 70,407</u> | <u>\$ 11</u> | <u>\$ 30,943</u> | <u>\$ 23,842</u> | <u>\$ 3,157,096</u> |

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

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENT**

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**CALDWELL COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2020

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

B. Basis of Accounting

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

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

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

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

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

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

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

CALDWELL 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.

Grant Fund - The primary purpose of this fund is to account for the receipts and disbursements of state and federal grants.

Ambulance Fund - The primary purpose of this fund is to account for the ambulance expenses of the county. The primary source of receipts for this fund is transfers from the general fund. During the year, the ambulance fund was combined with the general fund.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

Jail Commissary Fund - The canteen operations are authorized pursuant to KRS 441.135. The profits generated from the sale of items are to be used for the benefit and to enhance the well-being of the inmates, or to enhance safety and security within the jail. The jailer is required to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the jail commissary fund.

D. Budgetary Information

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

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

E. Caldwell County Elected Officials

Kentucky law provides for election of the officials listed below from the geographic area constituting Caldwell 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 Caldwell 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. Jointly Governed Organizations And Joint Ventures

A regional government or other multi-governmental arrangement that is governed by representatives from each of the governments that created the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility is a jointly governed organization. Based upon these criteria, the following are considered jointly governed organizations of the Caldwell County Fiscal Court.

- Industrial Development Authority
- City-County Park

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

H. Jointly Governed Organizations And Joint Ventures (Continued)

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

- Pennyrile West Park Industrial Authority
- Pennyrile Emergency Assistance Center

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.

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*. On June 30, 2020, the fiscal court's bank balance was exposed to custodial credit risk because the bank did not adequately collateralize the fiscal court's deposits in accordance with the security agreement.

- Uncollateralized and Uninsured \$39,118

Note 3. Transfers

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

| | General Fund | Ambulance Fund | Total Transfers In |
|---------------------|-------------------|-------------------|-----------------------|
| General Fund | \$ | \$ 88,291 | \$ 88,291 |
| Jail Fund | 600,000 | | 600,000 |
| LGEA Fund | 39,000 | | 39,000 |
| Ambulance Fund | 150,000 | | 150,000 |
| | | | |
| Total Transfers Out | <u>\$ 789,000</u> | <u>\$ 88,291</u> | <u>\$ 877,291</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.

CALDWELL 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:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2020 was \$27.

Note 5. Long-term Debt

A. Direct Borrowings and Direct Placements

1. Jail Renovation/Fire Truck Refinance

The Caldwell County Fiscal Court entered into a lease agreement with the Farmers Bank & Trust Company for the refinance of a 2011 fire truck and the jail renovation note in the amount of \$414,226. The terms of the lease agreement are monthly principal and interest payments at an interest rate of 2.25% for a four-year period. Upon any default under this note, the holder of this note may, at its option, make all or any part of the amount owed by the terms of this note immediately due. As of June 30, 2020, the balance of this lease agreement was paid in full.

B. 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 | \$ 26,956 | \$ 0 | \$ 26,956 | \$ 0 | \$ 0 |
| Total Long-term Debt | <u>\$ 26,956</u> | <u>\$ 0</u> | <u>\$ 26,956</u> | <u>\$ 0</u> | <u>\$ 0</u> |

Note 6. Employee Retirement System

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

The county's contribution for FY 2018 was \$381,537, FY 2019 was \$389,085, and FY 2020 was \$476,277.

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

Note 6. Employee Retirement System (Continued)

Nonhazardous

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

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

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

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

Hazardous

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

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

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

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

Note 6. Employee Retirement System (Continued)

Hazardous (Continued)

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

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

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

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

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

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

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

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

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

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

CALDWELL 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 (Continued)

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

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

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

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

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

D. Cost of Living Adjustments - Tier 1

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

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

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

F. Death Benefit

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

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

Note 6. Employee Retirement System (Continued)

KRS Annual Financial Report and Proportionate Share Audit Report

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

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

Note 7. Deferred Compensation

The Caldwell 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/Flexible Spending Account

The Caldwell County Fiscal Court established a flexible spending account to provide employees an additional health benefit. The county has contracted with a third-party administrator to administer the plan. The plan provides \$3,000 a year for employees who opt out of health insurance and \$125 per month for employees with health insurance. Employees may also contribute additional pre-tax funds through payroll deduction. The balance of the plan is \$24,584.

Note 9. Insurance

For the fiscal year ended June 30, 2020, the Caldwell 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.

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

Note 10. Related Party Transactions

The Caldwell County Treasurer owns a company which manages accounting software. Caldwell County purchased the software prior to the county treasurer being selected as county treasurer. The county paid \$2,600 to this company for the software maintenance during the fiscal year ended June 30, 2020.

Note 11. Payroll Revolving Account

The change in the payroll revolving account balance of \$3,494 as of June 30, 2020, was added to the general fund cash balance for financial reporting purposes.

Note 12. Tax Abatement

The occupational license tax and net profit tax was abated under the authority of the Caldwell County Fiscal Court. Hydro-Gear Limited Partnership is eligible to receive this tax abatement due to an ordinance passed by the Caldwell County Fiscal Court. The taxes are abated by the county deciding to forego occupational license taxes and net profit taxes, which are otherwise due the county. Hydro-Gear Limited Partnership agreed to the following provision: The Caldwell County, Kentucky, payroll tax with respect to the new employees at the facility shall be reduced from 1.5% to 1.0% for up to a period of ten years. Hydro-Gear's expansion of the facility was further conditioned upon Hydro-Gear receiving for a period of five years an amount equal to one-third (1/3) of the net profits tax paid by Hydro-Gear with respect to profits directly attributable to the expansion of the facility and newly created jobs. Hydro-Gear's expansion of the facility was further conditioned upon the contribution of \$20,000 to be paid by the Princeton-Caldwell County Industrial Development Authority and the Lake Barkley Economic Partnership to offset training costs incurred by the company with respect to newly created jobs at the facility. The reduction of the payroll tax pursuant to this provision is intended to constitute "local participation" so as to allow Hydro-Gear to receive tax incentives from the Commonwealth of Kentucky through the KBI program of up to 4% of the gross wages associated with the newly created jobs (KRS 154.32-010 to KRS 154.32-100). For fiscal year ended June 30, 2020, Caldwell County Fiscal Court abated occupational license taxes and net profit taxes totaling \$0.

Note 13. Prior Period Adjustments

| | General Fund | Road Fund | Local Government Economic Assistance Fund |
|------------------------------------|-------------------------|----------------------|--|
| Ending Fund Balances Prior Year | \$ 1,633,721 | \$ 490,499 | \$ 58,664 |
| Adjustments: | | | |
| Prior Year Voided Checks | <u>60</u> | <u>230</u> | <u>239</u> |
| Beginning Fund Balances - Restated | <u>\$ 1,633,781</u> | <u>\$ 490,729</u> | <u>\$ 58,903</u> |

CALDWELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2020

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CALDWELL 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 | \$ 2,644,150 | \$ 2,644,150 | \$ 3,198,087 | \$ 553,937 |
| In Lieu Tax Payments | 48,900 | 48,900 | 45,681 | (3,219) |
| Excess Fees | 25,000 | 25,000 | 31,380 | 6,380 |
| Licenses and Permits | 7,000 | 7,000 | 10,390 | 3,390 |
| Intergovernmental | 533,350 | 533,350 | 591,713 | 58,363 |
| Charges for Services | | | 1,195 | 1,195 |
| Miscellaneous | 19,100 | 19,100 | 179,831 | 160,731 |
| Interest | 50 | 50 | 23,531 | 23,481 |
| Total Receipts | <u>3,277,550</u> | <u>3,277,550</u> | <u>4,081,808</u> | <u>804,258</u> |
| DISBURSEMENTS | | | | |
| General Government | 1,616,079 | 1,629,294 | 1,320,327 | 308,967 |
| Protection to Persons and Property | 606,277 | 947,002 | 729,650 | 217,352 |
| General Health and Sanitation | 52,000 | 52,000 | 52,000 | |
| Social Services | 7,900 | 7,900 | 2,700 | 5,200 |
| Recreation and Culture | 55,000 | 55,000 | 52,931 | 2,069 |
| Airports | 5,000 | 5,000 | 5,000 | |
| Debt Service | 27,097 | 27,097 | 27,097 | |
| Capital Projects | 50,000 | 50,000 | 1,000 | 49,000 |
| Administration | 1,057,069 | 1,066,491 | 698,334 | 368,157 |
| Total Disbursements | <u>3,476,422</u> | <u>3,839,784</u> | <u>2,889,039</u> | <u>950,745</u> |
| Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses) | <u>(198,872)</u> | <u>(562,234)</u> | <u>1,192,769</u> | <u>1,755,003</u> |
| Other Adjustments to Cash (Uses) | | | | |
| Transfers From Other Funds | 225,000 | 225,000 | 88,291 | (136,709) |
| Transfers To Other Funds | (1,158,644) | (1,158,644) | (789,000) | 369,644 |
| Total Other Adjustments to Cash (Uses) | <u>(933,644)</u> | <u>(933,644)</u> | <u>(700,709)</u> | <u>232,935</u> |
| Net Change in Fund Balance | (1,132,516) | (1,495,878) | 492,060 | 1,987,938 |
| Fund Balance - Beginning (Restated) | <u>1,132,516</u> | <u>1,132,516</u> | <u>1,633,781</u> | <u>501,265</u> |
| Fund Balance - Ending | <u>\$ 0</u> | <u>\$ (363,362)</u> | <u>\$ 2,125,841</u> | <u>\$ 2,489,203</u> |

CALDWELL 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 | | | | |
| Intergovernmental | \$ 1,371,165 | \$ 1,872,350 | \$ 1,836,698 | \$ (35,652) |
| Miscellaneous | 1,500 | 1,500 | 2,943 | 1,443 |
| Interest | 300 | 300 | 13,504 | 13,204 |
| Total Receipts | <u>1,372,965</u> | <u>1,874,150</u> | <u>1,853,145</u> | <u>(21,005)</u> |
| DISBURSEMENTS | | | | |
| Roads | 1,570,052 | 2,077,927 | 1,261,298 | 816,629 |
| Administration | 332,600 | 325,910 | 225,066 | 100,844 |
| Total Disbursements | <u>1,902,652</u> | <u>2,403,837</u> | <u>1,486,364</u> | <u>917,473</u> |
| Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses) | <u>(529,687)</u> | <u>(529,687)</u> | <u>366,781</u> | <u>896,468</u> |
| Other Adjustments to Cash (Uses) | | | | |
| Transfers To Other Funds | <u>(225,000)</u> | <u>(225,000)</u> | | <u>225,000</u> |
| Total Other Adjustments to Cash (Uses) | <u>(225,000)</u> | <u>(225,000)</u> | | <u>225,000</u> |
| Net Change in Fund Balance | (754,687) | (754,687) | 366,781 | 1,121,468 |
| Fund Balance - Beginning (Restated) | <u>754,687</u> | <u>754,687</u> | <u>490,729</u> | <u>(263,958)</u> |
| Fund Balance - Ending | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 857,510</u> | <u>\$ 857,510</u> |

CALDWELL 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 | \$ 241,000 | \$ 241,000 | \$ 175,671 | \$ (65,329) |
| Charges for Services | 65,000 | 65,000 | 63,351 | (1,649) |
| Miscellaneous | 30,800 | 30,800 | 20,539 | (10,261) |
| Interest | 30 | 30 | 36 | 6 |
| Total Receipts | <u>336,830</u> | <u>336,830</u> | <u>259,597</u> | <u>(77,233)</u> |
| DISBURSEMENTS | | | | |
| Protection to Persons and Property | 786,075 | 786,575 | 609,616 | 176,959 |
| Administration | 317,799 | 317,299 | 251,148 | 66,151 |
| Total Disbursements | <u>1,103,874</u> | <u>1,103,874</u> | <u>860,764</u> | <u>243,110</u> |
| Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses) | <u>(767,044)</u> | <u>(767,044)</u> | <u>(601,167)</u> | <u>165,877</u> |
| Other Adjustments to Cash (Uses) | | | | |
| Transfers From Other Funds | <u>727,044</u> | <u>727,044</u> | <u>600,000</u> | <u>(127,044)</u> |
| Total Other Adjustments to Cash (Uses) | <u>727,044</u> | <u>727,044</u> | <u>600,000</u> | <u>(127,044)</u> |
| Net Change in Fund Balance | (40,000) | (40,000) | (1,167) | 38,833 |
| Fund Balance - Beginning | <u>40,000</u> | <u>40,000</u> | <u>46,215</u> | <u>6,215</u> |
| Fund Balance - Ending | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 45,048</u> | <u>\$ 45,048</u> |

CALDWELL 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 | | | | |
| Licenses and Permits | \$ 14,400 | \$ 14,400 | \$ 14,400 | \$ |
| Intergovernmental | 199,300 | 199,300 | 206,521 | 7,221 |
| Charges for Services | 4,900 | 4,900 | 4,646 | (254) |
| Miscellaneous | 750 | 750 | 3,135 | 2,385 |
| Interest | 50 | 50 | 18 | (32) |
| Total Receipts | <u>219,400</u> | <u>219,400</u> | <u>228,720</u> | <u>9,320</u> |
| DISBURSEMENTS | | | | |
| General Government | 39,466 | 39,466 | 32,155 | 7,311 |
| General Health and Sanitation | 185,147 | 198,711 | 157,503 | 41,208 |
| Administration | 106,786 | 104,222 | 66,558 | 37,664 |
| Total Disbursements | <u>331,399</u> | <u>342,399</u> | <u>256,216</u> | <u>86,183</u> |
| Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses) | <u>(111,999)</u> | <u>(122,999)</u> | <u>(27,496)</u> | <u>95,503</u> |
| Other Adjustments to Cash (Uses) | | | | |
| Transfers From Other Funds | <u>39,550</u> | <u>39,550</u> | <u>39,000</u> | <u>(550)</u> |
| Total Other Adjustments to Cash (Uses) | <u>39,550</u> | <u>39,550</u> | <u>39,000</u> | <u>(550)</u> |
| Net Change in Fund Balance | (72,449) | (83,449) | 11,504 | 94,953 |
| Fund Balance - Beginning (Restated) | <u>72,449</u> | <u>72,449</u> | <u>58,903</u> | <u>(13,546)</u> |
| Fund Balance - Ending | <u>\$ 0</u> | <u>\$ (11,000)</u> | <u>\$ 70,407</u> | <u>\$ 81,407</u> |

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

| | GRANT FUND | | | |
|----------------------------|-------------------|-------------|--|---|
| | Budgeted Amounts | | Actual Amounts, (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
| | Original | Final | | |
| RECEIPTS | \$ | \$ | \$ | \$ |
| DISBURSEMENTS | | | | |
| Net Change in Fund Balance | | | 11 | 11 |
| Fund Balance - Beginning | | | | |
| Fund Balance - Ending | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 11</u> | <u>\$ 11</u> |

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

| | AMBULANCE FUND | | | |
|--|-------------------------|-------------------|----------------------------------|--|
| | <u>Budgeted Amounts</u> | | Actual | Variance with |
| | Original | Final | Amounts, (Budgetary Basis) | Final Budget Positive (Negative) |
| RECEIPTS | | | | |
| Intergovernmental | \$ 10,000 | \$ 10,000 | \$ 30,933 | \$ 20,933 |
| Miscellaneous | 103,000 | 103,000 | 13,563 | (89,437) |
| Interest | 50 | 50 | 28 | (22) |
| Total Receipts | <u>113,050</u> | <u>113,050</u> | <u>44,524</u> | <u>(68,526)</u> |
| DISBURSEMENTS | | | | |
| Protection to Persons and Property | 447,700 | 105,397 | 74,454 | 30,943 |
| Administration | 63,400 | 31,341 | 31,035 | 306 |
| Total Disbursements | <u>511,100</u> | <u>136,738</u> | <u>105,489</u> | <u>31,249</u> |
| Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses) | <u>(398,050)</u> | <u>(23,688)</u> | <u>(60,965)</u> | <u>(37,277)</u> |
| Other Adjustments to Cash (Uses) | | | | |
| Transfers From Other Funds | 392,050 | 392,050 | 150,000 | (242,050) |
| Transfers To Other Funds | | | <u>(88,291)</u> | <u>(88,291)</u> |
| Total Other Adjustments to Cash (Uses) | <u>392,050</u> | <u>392,050</u> | <u>61,709</u> | <u>(330,341)</u> |
| Net Change in Fund Balance | (6,000) | 368,362 | 744 | (367,618) |
| Fund Balance - Beginning | <u>6,000</u> | <u>6,000</u> | <u>30,199</u> | <u>24,199</u> |
| Fund Balance - Ending | <u>\$ 0</u> | <u>\$ 374,362</u> | <u>\$ 30,943</u> | <u>\$ (343,419)</u> |

**CALDWELL 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

| | |
|---|---------------------|
| Other Adjustments to Cash (Uses) - Budgetary Basis | \$ (700,709) |
| To adjust for change in Payroll Revolving Account | <u>3,494</u> |
| Total Other Adjustments to Cash (Uses) - Regulatory Basis | <u>\$ (697,215)</u> |
| Fund Balance - Beginning - Budgetary Basis (Restated) | \$ 1,631,825 |
| To adjust for Payroll Revolving Account | <u>1,956</u> |
| Total Fund Balance - Beginning - Regulatory Basis | <u>\$ 1,633,781</u> |
| Fund Balance - Ending - Budgetary Basis | \$ 2,125,841 |
| To adjust for change in Payroll Revolving Account | <u>3,494</u> |
| Total Fund Balance - Ending - Regulatory Basis | <u>\$ 2,129,335</u> |

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

For The Year Ended June 30, 2020

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CALDWELL 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 | \$ 453,422 | \$ | \$ | \$ 453,422 |
| Buildings* | 6,359,986 | | 75,000 | 6,284,986 |
| Vehicles & Other Equipment* | 3,558,608 | 243,222 | 101,028 | 3,700,802 |
| Infrastructure* | 7,306,253 | | | 7,306,253 |
| Total Capital Assets (*Restated) | \$ 17,678,269 | \$ 243,222 | \$ 176,028 | \$ 17,745,463 |

The beginning balance of the Caldwell County Fiscal Court's Schedule of Capital Assets differs from the ending balance of the prior year schedule. The difference is due to clerical errors that were made when the schedule was updated for the year ending June 30, 2020. The differences are shown in the following table:

| | Treasurer's Beginning Balance | Prior Year Ending Balance | Difference |
|-----------------------------|-------------------------------------|------------------------------|---------------------|
| Land and Land Improvements | \$ 453,422 | \$ 453,422 | \$ |
| Buildings | 6,359,986 | 6,422,336 | (62,350) |
| Vehicles & Other Equipment | 3,558,608 | 3,648,094 | (89,486) |
| Infrastructure | 7,306,253 | 7,544,145 | (237,892) |
| Total Capital Assets | \$ 17,678,269 | \$ 18,067,997 | \$ (389,728) |

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

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

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Larry Curling, Caldwell County Judge/Executive
Members of the Caldwell 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 Caldwell County Fiscal Court for the fiscal year ended June 30, 2020, and the related notes to the financial statement which collectively comprise the Caldwell County Fiscal Court's financial statement and have issued our report thereon dated October 20, 2021. Our report qualified the opinion on the financial statement of the Caldwell County Fiscal Court because the fiscal court did not provide adequate documentation for occupational tax receipts and net profit tax receipts.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Caldwell 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 Caldwell County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Caldwell 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 another deficiency that we consider to be a significant deficiency.

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, and 2020-003 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

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 deficiency described in the accompanying Schedule of Findings and Responses as item 2020-004 to be a significant deficiency.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Caldwell 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 Officials and Planned Corrective Action

Caldwell 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 subject 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

October 20, 2021

**CALDWELL COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2020

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**CALDWELL COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2020

FINANCIAL STATEMENT FINDINGS:

2020-001 The Caldwell County Fiscal Court Failed To Maintain Adequate Financial Records For Occupational Taxes And Net Profit Taxes

This is a repeat finding and was included in the prior year audit report as finding 2019-001. Audit procedures were unable to obtain reasonable assurance for the amount of occupational and net profit tax collections reported by the county. The Caldwell County Fiscal Court failed to maintain subsidiary ledgers for occupational taxes and net profit taxes. Subsidiary ledgers for occupational tax receipts and net profit tax receipts were not available between July 2019 and February 2020.

The county did not require occupational and net profit tax collections to be accounted for using the tax software which would have maintained the financial information necessary to support these collections. Failing to record ledgers may lead to misappropriation of assets and misleading financial statements. Because subsidiary ledgers were not maintained, the county is non-compliant with state laws and regulations. Additionally, due to the lack of supporting documentation for occupational tax and net profit tax receipts the county will receive a modified audit opinion.

The Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual* requires all counties to maintain a uniform system which includes a cash receipts ledger. The manual states, "[a] monthly compilation by fund and account code of receipts recorded on the cash receipts journal. Each item will have a separate page in the cash receipts ledger. Each ledger page will identify the name of the revenue account, the account code and the amount budgeted. A monthly total is posted and a cumulative total is maintained. At the end of each quarter, the year-to-date figure is carried directly to the treasurer's portion of the quarterly financial statement."

Furthermore, the Caldwell County Fiscal Court Occupational Tax Ordinance states, "[i]t shall be the duty of the Caldwell County Tax Administrator to collect and the Caldwell County Treasurer to receive the occupational taxes imposed by this Ordinance. The Tax Administrator and Treasurer shall keep records showing the amount received by him/her from each licensee and employer and the date of such receipt." Also good internal controls dictate that the county maintain adequate financial records to support occupational tax and net profit tax collections.

We recommend the Caldwell County Fiscal Court require all occupational and net profit tax collections be accounted for using the tax software and implement control procedures to ensure occupational and net profit tax collections being reported are adequately support.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: These duties have been given to a new employee. The software is being utilized on a daily basis.

2020-002 The Caldwell County Fiscal Court Failed To Implement Adequate Internal Controls Over Payroll

The Caldwell County Fiscal Court has internal control deficiencies and noncompliances regarding payroll and timekeeping. The salary schedule used by the payroll officer to prepare paychecks for all county employees was not approved by the fiscal court. There was no evidence maintained that documented where the fiscal court of the county had fixed the reasonable compensation of every county officer and employee in accordance with KRS 64.530.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2020-002 The Caldwell County Fiscal Court Failed To Implement Adequate Internal Controls Over Payroll
(Continued)

During testing, we noted inconsistencies in the sheriff's office time keeping records when compared to payroll office records. The Caldwell County Fiscal Court required the sheriff's office be fee pooling, the sheriff turns over fees collected each month, and then the county pays all of the sheriff's office payroll as well as other operating expenses. The sheriff's office turns in timesheets to the payroll office, and the payroll office then pays the sheriff's employees along with other county employees.

The following issues related to the sheriff's payroll were noted:

- Five out of the 16 sheriff's employees tested were not included on the salary schedule used by the payroll officer to prepare pay checks.
- Pay rates per the salary schedule did not agree with the actual rate paid to eight sheriff employees. Each of these employees were paid per hour more than what was on the salary schedule.
- The sheriff's office timesheets, which were reviewed and approved by the sheriff or chief deputy, did not always calculate the total hours worked correctly or document actual hours worked. One example of this was a sheriff's deputy was paid for 40 hours of regular pay plus two hours of overtime due to the timesheet's totals showing these amounts, however the time worked per the deputy's timesheet only documented 34 hours worked.
- The sheriff's office is keeping an unofficial log for comp time that is not supported by timesheets or other documentation. The Caldwell County Fiscal Court had not adopted a compensatory time policy. Employees who are eligible to receive overtime benefits are to be paid for overtime earned. There was no documentation that employees requested compensatory time rather than being paid for overtime worked. Comparison of comp time logs to timesheets showed that time taken off as comp was not shown on the employee's timesheet. Additionally there was no documentation that compensatory time is awarded consistently at time and a half when employees worked in excess of 40 hours in a week as prescribed by KRS 337.285.
- One employee was paid two bereavement days for leave on non-scheduled work days.
- Four instances in one pay period were noted where sheriff employee timesheets did not agree with the corresponding dispatch call out logs. There were two instances where timesheets had more hours than dispatch call logs and there were two instances where timesheets had less hours than dispatch call logs.

The findings listed above are due to the lack of effective internal controls. Internal controls over the payroll process are designed effectively, but the controls are not functioning properly which is partly due to the sheriff not following existing controls by implemented by the fiscal court. According to the sheriff, he was unaware that they had to record actual hours worked on timesheets and thought his office could administer comp leave without going through the payroll officer.

Because internal controls are not functioning properly, employees may have been paid for hours not worked, paid for bereavement leave the employee was not entitled to, and some employees may not have been properly paid overtime or awarded comp time when working in excess of 40 hours a week.

Strong internal controls over payroll are vital in ensuring that 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.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2020-002 The Caldwell County Fiscal Court Failed To Implement Adequate Internal Controls Over Payroll
(Continued)

The Caldwell County Administrative Code Section 5.45 states, “[n]onexempt employees will receive overtime pay at the rate of one and one-half (1.5) times the hourly wages for actual hours worked in excess of eight (8) hours per day or forty (40) hours in any work week. Also, section 5.38 Bereavement Leave of the County Administrative Code states, “[l]eave shall be limited to three (3) working days without loss of pay.”

KRS 337.320(1) states, in part, “[e]very employer shall keep a record of...the hours worked each day and each week by each employee.” Likewise, KRS 337.285(1) states “[n]o employer shall employ any of his employees for a work week longer than forty (40) hours, unless such employee receives compensation for his employment in excess of forty (40) hours, unless such employee receives compensation for his employment in excess of forty (40) hours in a work week at the rate of not less than one and one-half (1-1/2) times the hourly wage rate at which he is employed.”

Additionally, 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.”

We make the following recommendations to address these findings:

- The fiscal court should fix the salaries of county officers and employees.
- The fiscal court should properly maintain a record of hours worked each day and each week by each employee in accordance with KRS 337.320.
- All payroll items should run through the payroll officer.
- The sheriff should ensure that correct timesheets are submitted for all sheriff office employees, and that timesheets document hours actually worked each day.
- All reviewers should ensure timesheets are thoroughly reviewed and are accurate before submitting to the payroll office for processing.
- If the county wishes to utilize compensatory time, then the county should adopt a compensatory time policy by amending the county administrative code to allow for compensatory time in lieu of overtime payment.
- Agreement of comp time in lieu of overtime payment should be documented for each eligible employee.
- Overtime and or comp time should be awarded to employees based on hours actually worked, per KRS 337.285 and according to the Caldwell County Administrative Code.
- An individual independent of the payroll process should review payroll transactions to verify that all amounts have been calculated properly and that they are properly supported.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive’s Response: Salary schedules are kept in the employee’s personnel files. All sick time and comp time has been move to Administrative Assistant. Fiscal Court passed a new comp time ordinance on August 24, 2021. There is also a Sheriff’s response.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2020-002 The Caldwell County Fiscal Court Failed To Implement Adequate Internal Controls Over Payroll
(Continued)

Views of Responsible Official and Planned Corrective Action: (Continued)

Sheriff's Response: In response to bullet points one and two - bullet point two is basically stating the same cause and effect of bullet one. The sheriff's office disagrees with the finding, as well as the wording of this bullet point. The sheriff's office fills out the appropriate paperwork for salaries of the employees and turns these in to the payroll office. It is the opinion of the sheriff's office if the proper paperwork was not turned in, the employees would not be receiving the agreed upon pay. The employees would have brought this to the attention of the sheriff. As to the comment of eight employees not matching the agreed upon rate; once again, the paperwork for hourly wages are set and turned over the payroll office. The policy has been followed for twenty-two years and nothing has been brought to the attention of the sheriff's office stating this was not in compliance on previous fiscal court audits.

Controls to be placed include copies for both the payroll office and the sheriff. Please note these are the same controls as the past but due diligence will be noted.

In response to bullet point three – While the timesheets are signed off on in the sheriff's office, they are reviewed by multiple sources. After the audit findings with the timesheet mentioned, the sheriff's office recognized what the deputy tallied as a total did not match what he placed on the timesheet.

Control consists of continued coordination with the court and finance officer to review timesheets.

In response to bullet point four - The sheriff's office disagrees with the finding. They were correct, but not documented to satisfy the auditor's requirement. The sheriff's office has kept this comp log for many years. At no point in any previous audit, has there been a mention of this being "unofficial." The question would arise, how can something be deemed "unofficial" when the county had not yet adopted its own policy on comp time? The sheriff office disagrees the comp log was "unofficial" due to the fiscal court not having adopted its own comp time policy and therefore the sheriff's office adopted their own policy on comp time, which has been utilized for many years, making it "official" to the sheriff's office. It has sufficed to show the comp time earned and paid out. The compensatory time has always been paid 1.5 times and therefore we disagree with this finding. It is the opinion of the sheriff's office if in previous audits, if this was found to be noncompliant, it would have been brought to the attention of the fiscal court and they would have adopted a county-wide policy.

Controls consist of a county-wide comp policy adopted by the fiscal court, along with comp forms 8/24/21 and the sheriff's office will submit the comp time earned to the payroll office.

In response to bullet point five - The sheriff's office disagrees with this finding. After review of the timesheet of the said infraction, it is found that the employee was actually paid vacation time earned; per the county policy, an employee may be paid vacation time earned when circumstances have arisen and they have not been able to use the time.

Controls are continued review of timesheets and following the county policy.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2020-002 The Caldwell County Fiscal Court Failed To Implement Adequate Internal Controls Over Payroll
(Continued)

Sheriff's Response (Continued):

In response to bullet point six - The sheriff's office disagrees with this finding. Dispatch call logs are not reflective of all the work a deputy performs, as many times it is off the record due to reasons of not wanting the listening public (scanners) to know the circumstances of particular situations where it can affect the safety of the community and deputies. This was explained during the audit. The dispatch center, which is a separate and independent agency, is not responsible for record keeping of time worked for the sheriff's office or any other entity to which they provide service. No emergency service agencies use the dispatch call logs as official time logs for time worked/paid. Therefore, the sheriff's office disagrees with the findings because call logs from the dispatch are not a true mechanism of the daily hours worked for the employees.

***Controls** of the sheriff's office will review timesheets and continue to ensure time noted is accurate and consistent with time authorized.*

The sheriff's office would like to respond to the cause and state the existing controls were followed; albeit an oversight noted to one timesheet and the acknowledgement the county had not adopted a county-wide policy, the sheriff's office had a comp policy in place that had been in practice for over twenty years and was not notified previously of this not being compliant.

Auditor's Reply: The sheriff's office failed to keep complete time records that documented the actual hours worked by employees. There were no records to substantiate comp logs maintained by the sheriff's office. Nor was there any documentation that employees agreed to receive comp time in lieu of being paid for overtime.

Additionally the sheriff's office did not adhere to the County's Administrative Code for time paid for bereavement or overtime. The Caldwell County Administrative Code Section 5.45 states, "Nonexempt employees will receive overtime pay at the rate of one and one-half (1.5) times the hourly wages for actual hours worked in excess of eight (8) hours per day or forty (40) hours in any work week." Also, section 5.38 Bereavement Leave of the County Administrative Code states, "Leave shall be limited to three (3) working days without loss of pay." Caldwell County's Administrative Codes states "There is no compensation for vacation days that you do not take."

2020-003 The Caldwell County Fiscal Court Failed To Implement Adequate Internal Controls Over Disbursements

During testing of disbursements we noted the following issues:

- Forty-four of 70 disbursements tested either did not have a purchase order or the purchase order was made after the invoice date.
- Four credit card disbursements made during the two months tested did not have itemized receipts.
- Sixty-six of 71 credit card disbursements did not have a purchase order or the purchase order was made after the invoice date.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2020-003 The Caldwell County Fiscal Court Failed To Implement Adequate Internal Controls Over Disbursements (Continued)

The Caldwell County Fiscal Court failed to implement internal controls over disbursements to ensure proper handling and compliance with applicable laws. The fiscal court's failure to establish effective internal controls over disbursements resulted in numerous instances of noncompliance reflected above. These deficiencies could also result in line items being over budget, claims being paid which are not valid obligations of the fiscal court, inaccurate reporting, and misappropriation of assets.

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

We recommend the Caldwell County Fiscal Court strengthen internal control procedures over disbursements by ensuring all disbursements include an itemized receipt or invoice. We also recommend that the Caldwell County Fiscal Court strengthen their internal controls over purchase orders and ensure that purchase orders are obtained prior to all purchases being made, as well as ensure that purchase requests are not approved in an amount that exceeds the available line item appropriation without the appropriate transfers being made.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: As of November 2021, the Finance Officer is adding each month PO's for utilities and travel.

2020-004 The Caldwell County Fiscal Court's Financial Statement Omitted The Ending Cash Balance For The Ambulance Fund

The Caldwell County Fiscal Court's fourth quarter financial statement reports a zero ending cash balance for the ambulance fund. However, the ambulance fund checking account has an ending cash balance of \$30,943 as of June 30, 2021. The treasurer booked a cash transfer from the ambulance fund to the general fund in the amount of the ambulance fund ending balance, but the cash transfer was not actually made from ambulance fund checking account. Additionally, a corresponding cash transfer in was not recorded in the general fund. This error caused cash balances to be misstated on the fourth quarter financial statement. Additionally, there was no documentation that the fiscal court approved combining the ambulance fund into the general fund nor was there approval of the fund balance cash transfer.

According to the county treasurer, the fiscal court decided that the ambulance fund be should be combined into the general fund since the general fund provided so much support to the ambulance fund. Due to an oversight, the balance of the ambulance fund bank account was not reported on the fourth quarter financial statement or combined with the general fund cash balance.

The ending cash balance on the fourth quarter financial statement was understated by \$30,943. Since these funds were not properly reported, there is an increased risk of misappropriation or theft.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2020-004 The Caldwell County Fiscal Court's Financial Statement Omitted The Ending Cash Balance For The Ambulance Fund (Continued)

Strong internal controls dictate that the ending cash balances of all funds reported on the fourth quarter financial statement include all bank accounts. Furthermore, strong internal controls dictate that fiscal court document its approval of combining funds and making transfers. Also, per the Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual* "all reports should be tested for accuracy before electronic submission to the state local finance officer."

We recommend the Caldwell County Fiscal Court strengthen internal controls over financial reporting to ensure that the ending cash balances of all funds are accurately reported on the fourth quarter financial statement. We further recommend the fiscal court adequately document its approval to combine funds and make transfers from one fund to another.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: This account will be closed once the court votes on it in Fiscal Court on October 26, 2021.

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

CALDWELL COUNTY FISCAL COURT

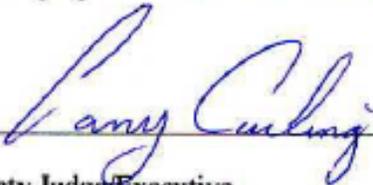
For The Year Ended June 30, 2020

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CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
CALDWELL COUNTY FISCAL COURT

For The Year Ended June 30, 2020

The Caldwell 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