

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

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



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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
The Honorable Albey Brock, Bell County Judge/Executive
Members of the Bell 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 Bell County Fiscal Court, for the year ended June 30, 2021, and the related notes to the financial statement, which collectively comprise the Bell County Fiscal Court's financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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



To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
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Members of the Bell County Fiscal Court

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 Bell 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 Bell County Fiscal Court as of June 30, 2021, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the fund balances of the Bell County Fiscal Court as of June 30, 2021, and their respective cash receipts and disbursements, and budgetary results for the year then ended, in accordance with the basis of accounting practices prescribed or permitted by the Department for Local Government as described in Note 1.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of the Bell County Fiscal Court. The Budgetary Comparison Schedules and the Schedule of Expenditures of Federal Awards (supplementary information), as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Schedule of Capital Assets (other information) are presented for purposes of additional analysis and are not a required part of the financial statement; however, they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

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

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

Other Matters (Continued)

Supplementary and Other Information (Continued)

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 July 19, 2022, on our consideration of the Bell County Fiscal Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bell County Fiscal Court's internal control over financial reporting and compliance.

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

- 2021-001 The Bell County Debt Was Not Reported Correctly On The Fourth Quarter Financial Report Liabilities Worksheet
- 2021-002 The Bell County Jail Commissary Lacks Adequate Segregation Of Duties Over Receipts, Disbursements, And The Reconciliation Process
- 2021-003 The Bell County Jailer Did Not Submit An Annual Financial Report For The Commissary Fund
- 2021-004 The Bell County Fiscal Court Failed To Implement Internal Controls To Ensure Costs Submitted For Reimbursement Were For Eligible Expenses Not Already Reimbursed By Other Entities

Respectfully submitted,

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

Mike Harmon
Auditor of Public Accounts

July 19, 2022

BELL COUNTY OFFICIALS
For The Year Ended June 30, 2021

Fiscal Court Members:

Albey Brock	County Judge/Executive
Eddie Saylor	Magistrate
David Bush	Magistrate
Lonnie Maiden, Jr.	Magistrate
Glenn Webb	Magistrate
Terry Bailey	Magistrate

Other Elected Officials:

William Neil Ward	County Attorney
Gary Ferguson	Jailer
Debbie Gambrel	County Clerk
Colby Slusher	Circuit Court Clerk
Mitch Williams	Sheriff
Michelle Bailey	Property Valuation Administrator
Jay Steele	Coroner

Appointed Personnel:

Irma Brooks	County Treasurer
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BELL COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS

For The Year Ended June 30, 2021

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

For The Year Ended June 30, 2021

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	\$ 2,156,044	\$	\$
In Lieu Tax Payments	38,334		
Excess Fees	135,745		
Licenses and Permits	170,627		
Intergovernmental	996,588	1,989,137	686,525
Charges for Services	6,563		6,946
Miscellaneous	284,189	15,801	62,755
Interest	7,389		
Total Receipts	<u>3,795,479</u>	<u>2,004,938</u>	<u>756,226</u>
DISBURSEMENTS			
General Government	1,985,762		
Protection to Persons and Property	309,606		1,207,844
General Health and Sanitation	95,729		
Social Services			
Recreation and Culture	5,314		
Transportation Facility and Services		63,965	
Roads		1,032,071	
Debt Service	166,263		64,681
Capital Projects		230,880	
Administration	1,281,691	396,760	215,989
Total Disbursements	<u>3,844,365</u>	<u>1,723,676</u>	<u>1,488,514</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(48,886)</u>	<u>281,262</u>	<u>(732,288)</u>
Other Adjustments to Cash (Uses)			
Transfers From Other Funds	1,659,006	135,000	750,000
Transfers To Other Funds	(986,012)	(353,537)	
Total Other Adjustments to Cash (Uses)	<u>672,994</u>	<u>(218,537)</u>	<u>750,000</u>
Net Change in Fund Balance	624,108	62,725	17,712
Fund Balance - Beginning	67,142	279,432	2,221
Fund Balance - Ending	<u>\$ 691,250</u>	<u>\$ 342,157</u>	<u>\$ 19,933</u>
Composition of Fund Balance			
Bank Balance	\$ 741,145	\$ 353,121	\$ 31,843
Less: Outstanding Checks	(49,895)	(10,964)	(11,910)
Fund Balance - Ending	<u>\$ 691,250</u>	<u>\$ 342,157</u>	<u>\$ 19,933</u>

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

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

Budgeted Funds				
Local Government Economic Assistance Fund	Federal Grant Fund	Ambulance Service Fund	Local Government Economic Development Fund	Insurance Premium Fund
\$	\$	\$	\$	\$ 860,668
263,285	3,764,505	10,000 601,243 33,801	689,141	
	41			295
<u>263,285</u>	<u>3,764,546</u>	<u>645,044</u>	<u>689,141</u>	<u>860,963</u>
875	49,818			
3,586		830,287		284,185
35,000				
16,000				
5,000				
		10,282		
		300,505		
<u>60,461</u>	<u>49,818</u>	<u>1,141,074</u>		<u>284,185</u>
<u>202,824</u>	<u>3,714,728</u>	<u>(496,030)</u>	<u>689,141</u>	<u>576,778</u>
		538,537		
<u>(50,000)</u>	<u>(736,012)</u>	<u></u>	<u>(380,000)</u>	<u>(576,982)</u>
<u>(50,000)</u>	<u>(736,012)</u>	<u>538,537</u>	<u>(380,000)</u>	<u>(576,982)</u>
152,824	2,978,716	42,507	309,141	(204)
22,093	4	145,016	2,844	261
<u>\$ 174,917</u>	<u>\$ 2,978,720</u>	<u>\$ 187,523</u>	<u>\$ 311,985</u>	<u>\$ 57</u>
\$ 175,167	\$ 2,978,720	\$ 199,907	\$ 311,985	\$ 57
(250)		(12,384)		
<u>\$ 174,917</u>	<u>\$ 2,978,720</u>	<u>\$ 187,523</u>	<u>\$ 311,985</u>	<u>\$ 57</u>

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

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

	Unbudgeted Funds		
	Public Properties Corporation Fund - 2014 Series	Jail Commissary Fund	Total Funds
RECEIPTS			
Taxes	\$	\$	\$ 3,016,712
In Lieu Tax Payments			38,334
Excess Fees			135,745
Licenses and Permits			170,627
Intergovernmental	384,625		8,783,806
Charges for Services			614,752
Miscellaneous		139,194	535,740
Interest			7,725
Total Receipts	<u>384,625</u>	<u>139,194</u>	<u>13,303,441</u>
DISBURSEMENTS			
General Government			2,036,455
Protection to Persons and Property			2,635,508
General Health and Sanitation			130,729
Social Services			16,000
Recreation and Culture		129,098	139,412
Transportation Facility and Services			63,965
Roads			1,032,071
Debt Service	383,375		624,601
Capital Projects			230,880
Administration	1,250		2,196,195
Total Disbursements	<u>384,625</u>	<u>129,098</u>	<u>9,105,816</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		<u>10,096</u>	<u>4,197,625</u>
Other Adjustments to Cash (Uses)			
Transfers From Other Funds			3,082,543
Transfers To Other Funds			<u>(3,082,543)</u>
Total Other Adjustments to Cash (Uses)			
Net Change in Fund Balance		10,096	4,197,625
Fund Balance - Beginning	<u>1,250</u>	<u>24,941</u>	<u>545,204</u>
Fund Balance - Ending	<u>\$ 1,250</u>	<u>\$ 35,037</u>	<u>\$ 4,742,829</u>
Composition of Fund Balance			
Bank Balance	\$ 1,250	\$ 36,687	\$ 4,829,882
Less: Outstanding Checks		<u>(1,650)</u>	<u>(87,053)</u>
Fund Balance - Ending	<u>\$ 1,250</u>	<u>\$ 35,037</u>	<u>\$ 4,742,829</u>

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

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TO THE FINANCIAL STATEMENT**

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**BELL COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2021

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

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

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

Ambulance Service Fund - The primary purpose of this fund is to provide emergency medical service for the county. The primary sources of receipts for this fund are federal, state, and private insurance billings.

Local Government Economic Development 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 government.

Insurance Premium Tax Fund - The primary purpose of this fund is to account for proceeds from the collection of insurance premium taxes and the disbursements thereof.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

Public Properties Corporation Fund - 2014 Series - The primary purpose of this fund is to account for the proceeds and debt service of revenue bonds that were issued to fund construction of public buildings.

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

D. Budgetary Information

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information (Continued)

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

The state local finance officer does not require the public properties corporation fund – 2014 series to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually.

E. Bell County Elected Officials

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

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 Bell County Fiscal Court:

Bell/Whitley Community Action Group (with Whitley County)

Note 2. Deposits

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

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of the DLG *County Budget Preparation and State Local Finance Officer Policy Manual*. As of June 30, 2021, all deposits were covered by FDIC insurance.

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2021.

	General Fund	Road Fund	Local Government Economic Assistance Fund	Federal Grant Fund	Local Government Economic Development Fund	Insurance Premium Fund	Total Transfers In
General Fund	\$	\$ 353,537	\$	\$ 736,012	\$ 380,000	\$ 189,457	\$ 1,659,006
Road Fund	135,000						135,000
Jail Fund	700,000		50,000				750,000
Ambulance Service Fund	151,012					387,525	538,537
Total Transfers Out	\$ 986,012	\$ 353,537	\$ 50,000	\$ 736,012	\$ 380,000	\$ 576,982	\$ 3,082,543

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.

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

Note 4. Agency Trust Fund

Agency trust funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments.

The fiscal court has the following agency trust fund:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2021 was \$12,173.

Note 5. Office Space Rental

On January 5, 2016, the Bell County Fiscal Court entered into an operating lease agreement with Pine Mountain Properties, LLC, for the rent of the Bell County Clerk's office located in Middlesboro, Kentucky, at a rate of \$700 per month. The lease is for 10 years, at which time the lease can be renewed in 10 year increments at a lease rate increase of 10 percent from the prior monthly rate paid. In the event of default, the landlord can terminate this lease and remove the tenant's property from the premises. The total expense related to this operating lease was \$8,400 for the fiscal year ended June 30, 2021. The future minimum lease payments for the operating lease are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Annual Payment</u>
2022	\$ 8,400
2023	8,400
2024	8,400
2025	8,400
2026	8,400
2027	4,200
Totals	<u>\$ 46,200</u>

Note 6. Long-term Debt

A. Direct Borrowings and Direct Placements

1. Ambulance Garage Capital Lease Agreement

The Bell County Fiscal Court entered into a capital lease agreement with the Kentucky Association of Counties Leasing Trust Program on November 26, 2003. The lease proceeds were used to acquire land and a building. Terms of the agreement stipulate a 20 year repayment schedule, with variable monthly interest payments and variable annual principal payments. In the event of default, the lessor may terminate the lease and give notice to the lessee to vacate or surrender the project. As of June 30, 2021, the principal balance remaining was \$22,961. Future lease payments are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Principal</u>	<u>Scheduled Interest</u>
2022	\$ 8,901	\$ 1,198
2023	9,276	631
2024	4,784	96
Totals	<u>\$ 22,961</u>	<u>\$ 1,925</u>

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

Note 6. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

2. Industrial Building

The Bell County Fiscal Court entered into a capital lease agreement with the Kentucky Association of Counties Leasing Trust Program on July 13, 2006. The lease proceeds were used to finance the construction of an industrial building on behalf of the Bell County Industrial Authority. Total amount financed was \$360,000. Terms of the agreement stipulate a fifteen-year repayment schedule with variable monthly interest payments and variable annual principal payments. In the event of default, KACO may take any of the following steps: (a) terminate the lease term and give notice to the lessee to vacate or surrender the project, (b) sell or re-lease the project, (c) recover from the lessee the lease rental payments that would have been payable during the period in which the lessee continues to use, occupy, or retain possession of the project, (d) take whatever action at law or in equity that may appear necessary or desirable to enforce the rights of this lease. The industrial authority rents the building from the county. The rent is equivalent to the principal and interest payments. As of June 30, 2021, the principal balance remaining was \$30,000. Future lease payments are as follows:

Fiscal Year Ended June 30	Scheduled Principal	Scheduled Interest
2022	\$ 30,000	\$ 150
Totals	\$ 30,000	\$ 150

B. Other Debt

1. Judicial Building – Refunding Revenue Bonds 2014 Series

On June 15, 2014, the Bell County Public Properties Corporation issued the 2014 refunding revenue bonds for the purpose of refinancing the 2005 revenue bonds that were used for refinancing the construction of the Farmer Helton Judicial Building. Bell County and the Public Properties Corporation are acting as agents for the Administrative Office of the Courts (AOC) in order to manage and maintain the judicial building. The public properties corporation and the county expect annual rentals for use of the judicial building to be in the full amount of the annual principal and interest requirements of the bonds. Under the terms of the lease, the AOC has agreed to pay directly to the paying agent bank, the payment as provided in the lease. The county and the public properties corporation are in reliance upon the AOC's payments in order to meet the debt service for the bonds.

In the event of default, the following remedies are available to the owners of the bonds: a) by enforcement of the foreclosable mortgage lien on the project site and improvements granted by the mortgage, and in such event the trustee will take over possession, custody and control of the project and will operate or carry out decretal sale of same with due regard to state and federal law and the covenants contained in the lease for the benefit of the owners of the bonds. Provided, however, that no such foreclosure sale will result in a deficiency judgment of any type or in any amount against AOC, the county or the corporation, and until such sale the county may at any time by the discharge of the bonds and interest and any premium thereon receive an unencumbered fee simple title to the mortgaged facilities; provided that in the event of any such enforcement of said lien by the trustee, there will first be paid all expenses incident to said document, and thereafter the bonds then outstanding will be paid and retired;

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

Note 6. Long-term Debt (Continued)

B. Other Debt (Continued)

1. Judicial Building – Refunding Revenue Bonds 2014 Series (Continued)

b) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the owners of the bonds, including the right to require the corporation to enforce fully the lease and to charge, collect and fully account for the pledged receipts, and to require the corporation to carry out any and all other covenants or agreements with the bondholders and to perform its duties under the act; c) bring suit upon the bonds; d) by action or suit in equity, require the corporation to account as if it were the trustee of an express trust for the owners of the bonds; e) by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the owners of the bonds; f) by declaring all bonds due and payable, and if all defaults will be made good, then, with the written consent of the owners of not less than 25% in a principal amount of the outstanding bonds, by annulling such declaration and its consequences; and g) in the event that all bonds are declared due and payable, by selling investment obligations of the corporation (to the extent not theretofore set aside for redemption of the bonds for which call has been made) and enforcing all chooses in action of the corporation to the fullest legal extent in the name of the corporation for the use and benefit of the owners of the bonds.

The AOC, with the execution of the lease, has expressed its intention to continue to pay in full both the principal and interest in each successive biennial budget period until June 30, 2029; however, the lease does not legally obligate the AOC to do so. As of June 30, 2021, the principal balance remaining was \$2,375,000.

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Principal</u>	<u>Scheduled Interest</u>
2022	\$ 300,000	\$ 79,450
2023	310,000	70,300
2024	330,000	60,700
2025	335,000	50,725
2026	340,000	40,600
2027-2029	<u>1,120,000</u>	<u>55,125</u>
Totals	<u>\$ 2,735,000</u>	<u>\$ 356,900</u>

2. Community Action Agency – Revenue Bonds Series 2015C

On October 22, 2015, the Bell County Fiscal Court entered into a lease agreement with Kentucky Association of Counties Finance Corporation for revenue bonds, series 2015C, that refinanced the general obligation bonds, series 2006, that were issued October 5, 2006, on behalf of the Bell/Whitley Community Action Agency (CAA) for the construction of a building to house the CAA offices. The CAA is responsible for the payments of the bond. In the event of default, the following steps may be taken: (a) take appropriate court action to enforce the pledge of this lease, (b) take legal title to, and sell or re-lease the project, (c) take whatever action at law or in equity that may appear necessary or desirable to enforce its rights in and to the project under this lease. The principal amount outstanding as of June 30, 2021 was \$500,000.

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

Note 6. Long-term Debt (Continued)

B. Other Debt (Continued)

2. Community Action Agency – Revenue Bonds Series 2015C (Continued)

Future debt service requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Principal</u>	<u>Scheduled Interest</u>
2022	\$ 80,000	\$ 13,800
2023	80,000	11,400
2024	80,000	9,000
2025	85,000	6,525
2026	85,000	3,975
2027	90,000	1,350
Totals	<u>\$ 500,000</u>	<u>\$ 46,050</u>

3. Hatchery Project

On July 15, 2015, the Bell County Fiscal Court entered into a general obligation lease agreement series 2015, in the amount of \$496,000 to finance a fish hatchery project in Bell County. Annual principal payments and semi-annual interest payments at a rate of 3.62% are required. In the event of default, the following steps may be taken: (a) By appropriate court action, enforce the pledge set forth by this Lease, (b) take whatever action at law or in equity may appear necessary or desirable to enforce its rights in this lease, (c) assess a default rate of interest which is the prime rate of interest published by the lessor.

The principal amount outstanding as of June 30, 2021 was \$327,174. Future debt service requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Principal</u>	<u>Scheduled Interest</u>
2022	\$ 31,400	\$ 11,844
2023	32,537	10,707
2024	33,715	9,529
2025	34,935	8,309
2026	36,200	7,044
2027-2030	158,387	14,589
Totals	<u>\$ 327,174</u>	<u>\$ 62,022</u>

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

Note 6. Long-term Debt (Continued)

B. Other Debt (Continued)

4. Detention Center

On September 14, 2016, the Bell County Fiscal Court entered into a lease agreement with Kentucky Association of Counties Finance Corporation for financing revenue and revenue refunding bonds, series 2016C, that partially defeased the general obligation improvement bonds, series 2009, that were issued on June 23, 2009 to refinance the original general obligation bonds, series 2016. The original bonds were used to acquire land and improve land. In the event of default, the following steps may be taken: (a) by appropriate court action, enforce the pledge set forth by this lease, (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 right in this lease. The principal amount outstanding as of June 30, 2021 was \$805,000.

Future debt service requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Principal</u>	<u>Scheduled Interest</u>
2022	\$ 35,000	\$ 25,931
2023	40,000	24,431
2024	40,000	22,831
2025	40,000	21,231
2026	45,000	19,981
2027-2031	255,000	78,959
2032-2036	285,000	36,350
2037	65,000	975
Totals	<u>\$ 805,000</u>	<u>\$ 230,689</u>

C. Changes In Long-term Debt

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Direct Borrowings and					
Direct Placements	\$ 91,503	\$	\$ 38,542	\$ 52,961	\$ 38,901
General Obligation Bonds	357,477		30,303	327,174	31,400
Revenue Bonds	<u>4,445,000</u>		<u>405,000</u>	<u>4,040,000</u>	<u>415,000</u>
Total Long-term Debt	<u>\$ 4,893,980</u>	<u>\$ 0</u>	<u>\$ 473,845</u>	<u>\$ 4,420,135</u>	<u>\$ 485,301</u>

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

Note 6. Long-term Debt (Continued)

D. Aggregate Debt Schedule

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

Fiscal Year Ended June 30	Other Debt		Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
2022	\$ 446,400	\$ 131,025	\$ 38,901	\$ 1,348
2023	462,537	116,838	9,276	631
2024	483,715	102,060	4,784	96
2025	494,935	86,790		
2026	506,200	71,600		
2027-2031	1,623,387	150,023		
2032-2036	285,000	36,350		
2037	65,000	975		
Totals	\$ 4,367,174	\$ 695,661	\$ 52,961	\$ 2,075

Note 7. Commitments and Contingencies

The county is involved in multiple lawsuits. While individually they may not be significant, in the aggregate they could negatively impact the county's financial position. Due to the uncertainty of the litigation, a reasonable estimate of the financial impact on the county cannot be made at this time.

Note 8. Conduit Debt

On November 19, 2020, the Bell County Fiscal Court adopted an ordinance authorizing and approving the issuance of revenue bonds in an aggregate principal amount not to exceed \$10,000,000 for assisting the financing of a project located within the Local Development Area established by the county and known as "Boone's Ridge" undertaken by Appalachian Wildlife Foundation, Inc (AWF). AWF is responsible for repayment of the bonds. The county will not incur any general obligation or liability for the payment of the bonds.

Note 9. Employee Retirement System

The fiscal court has elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which is administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). This is a cost-sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Effective April 1, 2021, the Kentucky Public Pensions Authority (KPPA) was created by KRS 61.505 to provide staffing and daily administrative needs for CERS and KRS. The nine (9) member board of trustees is responsible for the governance of the CERS pension and insurance plans.

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

Note 9. Employee Retirement System (Continued)

The county's contribution for FY 2019 was \$689,738, FY 2020 was \$841,543, and FY 2021 was \$795,922.

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.

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

Note 9. 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 78.5536.

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.

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

Note 9. 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 78.5536. 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, KPPA will pay a \$5,000 death benefit payment to the beneficiary designated by the member specifically for this benefit. Members with multiple accounts are entitled to only one death benefit.

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

Note 9. 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 Public Pensions Authority, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

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

Note 10. Deferred Compensation

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

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

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

Note 11. Insurance

For the fiscal year ended June 30, 2021, the Bell County Fiscal Court was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 12. Related Party Transaction

During the fiscal year ended June 30, 2021, the county paid \$3,250 for indigent burial to a company partly owned by the treasurer.

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BELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2021

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BELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2021

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 2,237,000	\$ 2,237,000	\$ 2,156,044	\$ (80,956)
In Lieu Tax Payments	46,000	46,000	38,334	(7,666)
Excess Fees	55,626	55,626	135,745	80,119
Licenses and Permits	152,000	152,000	170,627	18,627
Intergovernmental	1,246,290	1,246,290	996,588	(249,702)
Charges for Services	10,500	10,500	6,563	(3,937)
Miscellaneous	1,776,813	1,776,813	284,189	(1,492,624)
Interest	30,000	30,000	7,389	(22,611)
Total Receipts	5,554,229	5,554,229	3,795,479	(1,758,750)
DISBURSEMENTS				
General Government	2,131,546	2,202,456	1,985,762	216,694
Protection to Persons and Property	541,811	544,550	309,606	234,944
General Health and Sanitation	120,500	120,500	95,729	24,771
Recreation and Culture	10,000	10,000	5,314	4,686
Debt Service	167,979	167,979	166,263	1,716
Capital Projects	1,500,000	1,500,000		1,500,000
Administration	1,758,452	1,684,803	1,281,691	403,112
Total Disbursements	6,230,288	6,230,288	3,844,365	2,385,923
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(676,059)	(676,059)	(48,886)	627,173
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	872,118	872,118	1,659,006	786,888
Transfers To Other Funds	(507,185)	(507,185)	(986,012)	(478,827)
Total Other Adjustments to Cash (Uses)	364,933	364,933	672,994	308,061
Net Change in Fund Balance	(311,126)	(311,126)	624,108	935,234
Fund Balance - Beginning	311,126	311,126	67,142	(243,984)
Fund Balance - Ending	\$ 0	\$ 0	\$ 691,250	\$ 691,250

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

	ROAD FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 5,601,592	\$ 5,601,592	\$ 1,989,137	\$ (3,612,455)
Miscellaneous			15,801	15,801
Total Receipts	5,601,592	5,601,592	2,004,938	(3,596,654)
DISBURSEMENTS				
Transportation Facilities and Services	122,500	122,500	63,965	58,535
Roads	2,690,357	2,766,976	1,032,071	1,734,905
Capital Projects	2,582,940	2,582,940	230,880	2,352,060
Administration	529,166	452,547	396,760	55,787
Total Disbursements	5,924,963	5,924,963	1,723,676	4,201,287
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(323,371)	(323,371)	281,262	604,633
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			135,000	135,000
Transfers To Other Funds	(233,870)	(233,870)	(353,537)	(119,667)
Total Other Adjustments to Cash (Uses)	(233,870)	(233,870)	(218,537)	15,333
Net Change in Fund Balance	(557,241)	(557,241)	62,725	619,966
Fund Balance - Beginning	557,241	557,241	279,432	(277,809)
Fund Balance - Ending	\$ 0	\$ 0	\$ 342,157	\$ 342,157

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

JAIL FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 550,800	\$ 550,800	\$ 686,525	\$ 135,725
Charges for Services	21,500	21,500	6,946	(14,554)
Miscellaneous	112,100	112,100	62,755	(49,345)
Total Receipts	684,400	684,400	756,226	71,826
DISBURSEMENTS				
Protection to Persons and Property	1,177,612	1,247,879	1,207,844	40,035
Debt Service	64,682	64,682	64,681	1
Administration	321,605	251,338	215,989	35,349
Total Disbursements	1,563,899	1,563,899	1,488,514	75,385
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(879,499)	(879,499)	(732,288)	147,211
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	879,499	879,499	750,000	(129,499)
Total Other Adjustments to Cash (Uses)	879,499	879,499	750,000	(129,499)
Net Change in Fund Balance			17,712	17,712
Fund Balance - Beginning			2,221	2,221
Fund Balance - Ending	\$ 0	\$ 0	\$ 19,933	\$ 19,933

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

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 301,000	\$ 301,000	\$ 263,285	\$ (37,715)
Total Receipts	301,000	301,000	263,285	(37,715)
DISBURSEMENTS				
General Government	5,000	5,000	875	4,125
Protection to Persons and Property	3,586	3,586	3,586	
General Health and Sanitation	35,000	35,000	35,000	
Social Services	18,000	19,000	16,000	3,000
Recreation and Culture	10,500	10,500	5,000	5,500
Administration	10,000	9,000		9,000
Total Disbursements	82,086	82,086	60,461	21,625
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	218,914	218,914	202,824	(16,090)
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	(372,314)	(372,314)	(50,000)	322,314
Total Other Adjustments to Cash (Uses)	(372,314)	(372,314)	(50,000)	322,314
Net Change in Fund Balance	(153,400)	(153,400)	152,824	306,224
Fund Balance - Beginning	153,400	153,400	22,093	(131,307)
Fund Balance - Ending	\$ 0	\$ 0	\$ 174,917	\$ 174,917

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

	FEDERAL GRANT FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 126,013	\$ 1,312,498	\$ 3,764,505	\$ 2,452,007
Interest			41	41
Total Receipts	126,013	1,312,498	3,764,546	2,452,048
DISBURSEMENTS				
General Government	121,013	121,013	49,818	71,195
General Health and Sanitation	5,000	5,000		5,000
Administration		1,186,485		1,186,485
Total Disbursements	126,013	1,312,498	49,818	1,262,680
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			3,714,728	3,714,728
Other Adjustments to Cash (Uses)				
Transfers To Other Funds			(736,012)	(736,012)
Total Other Adjustments to Cash (Uses)			(736,012)	(736,012)
Net Change in Fund Balance			2,978,716	2,978,716
Fund Balance - Beginning			4	4
Fund Balance - Ending	\$ 0	\$ 0	\$ 2,978,720	\$ 2,978,720

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

AMBULANCE SERVICE FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 10,000	\$ 10,000	\$ 10,000	\$
Charges for Services	775,000	775,000	601,243	(173,757)
Miscellaneous	20,000	20,000	33,801	13,801
Total Receipts	805,000	805,000	645,044	(159,956)
DISBURSEMENTS				
Protection to Persons and Property	746,100	905,470	830,287	75,183
Debt Service	120,283	10,283	10,282	1
Administration	394,000	344,630	300,505	44,125
Total Disbursements	1,260,383	1,260,383	1,141,074	119,309
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(455,383)	(455,383)	(496,030)	(40,647)
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	405,000	405,000	538,537	133,537
Total Other Adjustments to Cash (Uses)	405,000	405,000	538,537	133,537
Net Change in Fund Balance	(50,383)	(50,383)	42,507	92,890
Fund Balance - Beginning	50,383	50,383	145,016	94,633
Fund Balance - Ending	\$ 0	\$ 0	\$ 187,523	\$ 187,523

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

LOCAL GOVERNMENT ECONOMIC DEVELOPMENT FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 440,248	\$ 440,248	\$ 689,141	\$ 248,893
Total Receipts	440,248	440,248	689,141	248,893
DISBURSEMENTS				
Total Disbursements				
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	440,248	440,248	689,141	248,893
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	(440,248)	(440,248)	(380,000)	60,248
Total Other Adjustments to Cash (Uses)	(440,248)	(440,248)	(380,000)	60,248
Net Change in Fund Balance			309,141	309,141
Fund Balance - Beginning			2,844	2,844
Fund Balance - Ending	\$ 0	\$ 0	\$ 311,985	\$ 311,985

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

INSURANCE PREMIUM FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 905,000	\$ 905,000	\$ 860,668	\$ (44,332)
Interest	1,000	1,000	295	(705)
Total Receipts	906,000	906,000	860,963	(45,037)
DISBURSEMENTS				
Protection to Persons and Property	302,000	302,000	284,185	17,815
Administration	1,000	1,000		1,000
Total Disbursements	303,000	303,000	284,185	18,815
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	603,000	603,000	576,778	(26,222)
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	(603,000)	(603,000)	(576,982)	26,018
Total Other Adjustments to Cash (Uses)	(603,000)	(603,000)	(576,982)	26,018
Net Change in Fund Balance			(204)	(204)
Fund Balance - Beginning			261	261
Fund Balance - Ending	\$ 0	\$ 0	\$ 57	\$ 57

BELL COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2021

Note 1. Budgetary Information

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

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

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

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BELL COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2021

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BELL COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity's Identifying Number	Provided to Subrecipient	Total Federal Expenditures
<u>U. S. Department of Homeland Security</u>				
<i>Direct Program</i>				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	Not Available	\$	\$ 173,160
<i>Passed Through Kentucky Department of Military Affairs</i>				
Emergency Management Performance Grant	97.042	Not Available	_____	5,061
Total U.S. Department of Homeland Security			=====	178,221
<u>U. S. Department of Housing and Urban Development</u>				
<i>Passed-Through Kentucky Department for Local Government</i>				
Community Development Block Grants/Entitlement Grants	14.228	12-049	\$	\$ 49,818
Total U.S. Department of Housing and Urban Development			=====	49,818
<u>U. S. Department of The Treasury</u>				
<i>Passed-Through Kentucky's Office of State Budget Director and Kentucky Department for Local Government</i>				
COVID-19 - Coronavirus Relief Fund	21.019	C-114	\$	\$ 263,517
COVID-19 - Coronavirus Relief Fund	21.019	C2-222	_____	300,195
Total U.S. Department of The Treasury			=====	563,712
<u>United States Executive Office Of The President</u>				
<i>Passed-Through Laurel County Fiscal Court</i>				
High Intensity Drug Trafficking Areas Program (HIDTA)	95.001	Not Available	\$	\$ 17,338
Total United States Executive Office Of The President			=====	17,338
Total Expenditures of Federal Awards			\$ 0	\$ 809,089

The accompanying notes are an integral part of this schedule

BELL COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2021

Note 1. Basis of Presentation

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

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3. Indirect Cost Rate

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

Note 4. Pertaining to Novel Coronavirus Pandemic Relief

In order to identify COVID-19 funds on the Schedule of Expenditures of Federal Awards, the prefix will precede the Program Title on the Grantor Schedule.

COVID-19 – Coronavirus Relief Fund

BELL COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2021

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BELL COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2021

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 1,434,079	\$	\$	\$ 1,434,079
Buildings	7,809,195			7,809,195
Vehicles and Equipment	2,054,024	222,631		2,276,655
Other Equipment	2,934,551			2,934,551
Infrastructure	7,442,300	188,870		7,631,170
 Total Capital Assets	 <u>\$ 21,674,149</u>	 <u>\$ 411,501</u>	 <u>\$ 0</u>	 <u>\$ 22,085,650</u>

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

June 30, 2021

Note 1. Capital Assets

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

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 5,000	10-60
Buildings	25,000	10-75
Building Improvements	10,000	10-75
Equipment	2,500	3-25
Vehicles	2,500	3-25
Infrastructure	10,000	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 Albey Brock, Bell County Judge/Executive
Members of the Bell 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 Bell County Fiscal Court for the fiscal year ended June 30, 2021, and the related notes to the financial statement which collectively comprise the Bell County Fiscal Court's financial statement and have issued our report thereon dated July 19, 2022.

Internal Control Over Financial Reporting

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

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

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 Questioned Costs as items 2021-001, 2021-002, and 2021-003 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)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Bell 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 Questioned Costs as items 2021-001 and 2021-003.

Purpose of this Report

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

Respectfully submitted,

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

Mike Harmon
Auditor of Public Accounts

July 19, 2022

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

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Albey Brock, Bell County Judge/Executive
Members of the Bell County Fiscal Court

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

Independent Auditor's Report

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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



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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as item 2021-004 that we consider to be a significant deficiency.

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

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

July 19, 2022

BELL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended June 30, 2021

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BELL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended June 30, 2021

Section I: Summary of Auditor's Results

Financial Statement

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

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

Identification of major programs:

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

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

Section II: Financial Statement Findings

2021-001 The Bell County Debt Was Not Reported Correctly on the Fourth Quarter Financial Report Liabilities Worksheet

The outstanding principal balance was understated by \$414,625 and the outstanding interest balance was understated by \$22,531 on the county's fourth quarter financial report in the liabilities section that is required to be submitted to the state local finance officer upon submission of the fiscal court's proposed budget and quarterly financial report.

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

Section II: Financial Statement Findings

2021-001 The Bell County Debt Was Not Reported Correctly on the Fourth Quarter Financial Report Liabilities Worksheet (Continued)

The treasurer mistakenly included additional payments not made during the fiscal year and also did not account for all interest payments due; therefore, it resulted in incorrect balances being reported in the fourth quarter financial report in the liabilities section. By not correctly reporting the liabilities of the fiscal court, the state local finance officer did not see the accurate financial position of the fiscal court. The liabilities were understated for principal and interest by \$414,625 and \$22,531, respectfully.

Since the Department for Local Government and the fiscal court rely on the quarterly report to make decisions involving new debt and other financial decisions, it is important the quarterly report be complete and accurate. The quarterly report is a cumulative report and is prepared on a regulatory basis by the county judge/executive and the county treasurer pursuant to KRS 68.210. KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. This uniform system of accounts, as outlined in the *County Budget Preparation and State Local Finance Officer Policy Manual*, requires the budget section of the fourth quarter financial report to be utilized for reporting all current long-term debt, including public corporation bonds, general obligation bonds, government leasing act issues, and bond anticipation notes.

The fiscal court should have controls in place to ensure that all payments of liabilities are accounted for on the fourth quarter financial report liabilities worksheet.

We recommend the fiscal court, when submitting its proposed budget and quarterly reports to the state local finance officer, accurately report and include all their financial obligations within the liabilities section, and ensure all quarterly reports are reviewed and verified as correct before submitting to the Department for Local Government.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: The official did not provide a response.

2021-002 The Bell County Jail Commissary Lacks Adequate Segregation Of Duties Over Receipts, Disbursements, And The Reconciliation Process

This is a repeat finding and was included in the prior year audit report as finding 2020-004. The jail commissary bookkeeper's duties include collecting cash for inmate accounts, posting receipts, preparing and posting disbursements, and completing the bank reconciliation. When one employee is responsible for the receipt, disbursement, and reconciliation process, the risk of misappropriation of assets, errors, and inaccurate financial reporting increases. According to the jail, the limited number of jail staff in the office prevents a proper segregation of duties. This could result in undetected misappropriation of assets and incorrect reporting.

Effective internal controls require proper segregation of duties over accounting functions, such as making deposits, preparing disbursements, and reconciling the bank account. Segregation of duties, or the implementation of compensating controls, is essential for providing protection to employees in the normal course of performing their daily responsibilities.

We recommend the Bell County Jailer segregate duties over receipts, disbursement, and the bank reconciliation process. If segregation of duties is not possible, then the Bell County Jailer should implement compensating controls by monitoring the financial activities of the jail commissary and documenting the review.

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

Section II: Financial Statement Findings (Continued)

2021-002 The Bell County Jail Commissary Lacks Adequate Segregation Of Duties Over Receipts, Disbursements, And The Reconciliation Process (Continued)

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: The official did not provide a response.

Jailer's Response: The official did not provide a response.

2021-003 The Bell County Jailer Did Not Submit An Annual Financial Report For The Commissary Fund

This is a repeat finding and was included in the prior year audit report as finding 2020-002. The Bell County Jailer is required to present a financial statement for commissary activity to the fiscal court at the end of each fiscal year. The jailer did not present a financial statement for fiscal year 2021, as required by the Department for Local Government's *Budget Preparation and State Local Finance Officer Policy Manual*. The jailer did not have sufficient internal controls over the financial reporting process that would ensure that the financial statement was presented to the fiscal court or treasurer. The county treasurer and fiscal court were not made aware of the financial activity of the jail commissary fund.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. Pursuant to KRS 68.210, the state local finance officer has prescribed minimum accounting and reporting standards in the Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual* which are to be used by jailers for jail commissary funds maintained pursuant to KRS 441.135. KRS 441.135(2) states, in part, "[t]he jailer shall keep books of accounts of all receipts and disbursements from the canteen and shall annually report to the county treasurer on the canteen account."

We recommend the jailer submit an accurate annual commissary report to the county treasurer at year-end that includes all receipts and disbursements and reconciles to the receipts and disbursements ledgers.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: The official did not provide a response.

Jailer's Response: The official did not provide a response.

Section III: Federal Award Findings And Questioned Costs

2021-004 The Bell County Fiscal Court Failed To Implement Internal Controls To Ensure Costs Submitted For Reimbursement Were For Eligible Expenses Not Already Reimbursed By Other Entities

Federal Program: Assistance Listing Number 21.019 – Coronavirus Relief Funds

Award Number and Year: 2021

Name of Federal Agency and Pass-Through Agency: U.S. Department of Treasury and Kentucky Department for Local Government – Office of Grants

Compliance Requirements: Activities Allowed or Unallowed

Type of Finding: Significant Deficiency

Amount of Questioned Costs: \$12,333

Opinion Modification: No

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

Section III: Federal Award Findings And Questioned Costs (Continued)

2021-004 The Bell County Fiscal Court Failed To Implement Internal Controls To Ensure Costs Submitted For Reimbursement Were For Eligible Expenses Not Already Reimbursed By Other Entities
 (Continued)

The Coronavirus Relief Fund (CRF) was established to cover costs that are necessary expenditures incurred due to the public health emergency with respect to Coronavirus Disease 2019 (COVID-19). The \$150 billion fund is to be used to make payments for specified uses to states, tribal governments, and certain local governments for the program period March 1, 2020 through December 31, 2021. The Compliance Supplement 2020 addendum for Department of the Treasury for CRF for States, Tribal Governments, and Certain Eligible Local Governments states “recipients may not use payments from the Fund to cover expenditures for which they will receive reimbursement from other sources.”. During fiscal year 2021, the Bell County Fiscal Court received reimbursements from the CRF for the payroll expenditures that had already been reimbursed by other state and federal grants or other governmental entities.

The Bell County Fiscal Court failed to establish effective internal controls over compliance requirements to ensure expenditures submitted for reimbursement from the CRF were not already reimbursed from other sources. Our total sample included 60 disbursements from a universe of 505 transactions included in the reimbursement request. The audit sample was selected using a non-statistical method. We then reviewed reimbursements received from other state and federal grants or other governmental entities for payroll expenditures that had also been reimbursed by CRF. The issue noted appears to be isolated to the CRF grant reimbursements.

Total known questioned costs are \$12,333. Questioned costs were computed by comparing reimbursements received from other state and federal grants or other governmental entities for payroll expenditures to payroll expenditures submitted for reimbursement to Coronavirus Relief Fund (CRF). During testing, we found the following expenditures had already been reimbursed:

- \$12,333 gross wages were reimbursed for law enforcement officers from the Kentucky Law Enforcement Foundation Program Fund (KLEFPF).

The Bell County Fiscal Court failed to establish effective internal controls over compliance requirements to ensure expenditures submitted for reimbursement from the CRF were not already reimbursed from other sources. As a result, the Bell County Fiscal Court submitted payroll expenses that did not qualify for reimbursement from the CRF administered by the Commonwealth of Kentucky’s Department for Local Government (DLG), which, resulted in \$12,333 of questioned costs. In addition, the fiscal court could be required to repay the questioned costs back to the granting agency.

2 CFR § 200.303 requires a non-federal entity to “[e]stablish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.” In addition, 2 CFR § 200.1 states in part:

“Improper payment means:

- (1) Any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements.
- (i) Incorrect amounts are overpayments or underpayments that are made to eligible recipients (including inappropriate denials of payment or service, any payment that does not account for credit for applicable discounts, payments that are for an incorrect amount, and duplicate payments). An improper payment also includes any payment that was made to an ineligible recipient or for an ineligible good or service, or payments for goods or services not received (except for such payments authorized by law).

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

Section III: Federal Award Findings And Questioned Costs (Continued)

2021-004 The Bell County Fiscal Court Failed To Implement Internal Controls To Ensure Costs Submitted For Reimbursement Were For Eligible Expenses Not Already Reimbursed By Other Entities
 (Continued)

We recommend the fiscal court strengthen internal controls over federal awards to ensure expenditures have not been reimbursed by other entities and are eligible expenditures. We also recommend that the fiscal court contact the Kentucky Department for Local Government to determine if questioned costs should be repaid or if they can resubmit request with eligible expenditures.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: After speaking to representatives from DLG, it was determined that enough documentation was submitted to cover this oversight.

Section IV: Summary Schedule of Prior Audit Findings

Finding Number	Prior Year Finding Title	Status	Corrective Action
2020-001	The County Failed To Maintain Proper Controls Over The Procurement And Bidding Processes	Resolved	None
2020-002	The Jailer Failed To Submit An Accurate Annual Financial Report For The Commissary Fund	Unresolved	None
2020-003	The Jailer Failed To Properly Reconcile The Inmate Account	Unresolved	None
2020-004	The Jail Commissary Lacks Segregation Of Duties Over Receipts, Disbursements, And The Bank Reconciliation Process	Unresolved	None

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

BELL COUNTY FISCAL COURT

For The Year Ended June 30, 2021

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CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAM

BELL COUNTY FISCAL COURT

For The Year Ended June 30, 2021

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

A handwritten signature in black ink, appearing to be "D. L. Zed", written over a horizontal line.

County Judge/Executive

A handwritten signature in blue ink, appearing to be "Dana Brooks", written over a horizontal line.

County Treasurer