

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

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



**MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS
auditor.ky.gov**

**209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817
TELEPHONE (502) 564-5841
FACSIMILE (502) 564-2912**

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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 Kenny Imes, Calloway County Judge/Executive
Members of the Calloway 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 Calloway County Fiscal Court, for the year ended June 30, 2021, and the related notes to the financial statement, which collectively comprise the Calloway County Fiscal Court's financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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



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

As described in Note 1 of the financial statement, the financial statement is prepared by the Calloway 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 Calloway 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 Calloway 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 Calloway 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.

To the People of Kentucky
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Members of the Calloway County Fiscal Court

Other Matters (Continued)

Supplementary and Other Information (Continued)

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2022, on our consideration of the Calloway 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 Calloway County Fiscal Court's internal control over financial reporting and compliance.

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

2021-001 The Calloway County Fiscal Court's Schedule Of Expenditures Of Federal Awards Was Materially Overstated

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

May 18, 2022

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

Kenneth C. Imes	County Judge/Executive
Eddie Clyde Hale	Magistrate
Larry Crutcher	Magistrate
Don Cherry	Magistrate
Paul Rister	Magistrate

Other Elected Officials:

Bryan Ernstberger	County Attorney
Ken Claud	Jailer
Antonia Faulkner	County Clerk
Linda Avery	Circuit Court Clerk
Sam Steger	Sheriff - Retired August 16, 2020
Nicky Knight	Sheriff - Appointed August 17, 2020
Nikki Crouch	Property Valuation Administrator
Ricky Garland	Coroner

Appointed Personnel:

Tonya Robinson	County Treasurer
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CALLOWAY COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS

For The Year Ended June 30, 2021

CALLOWAY 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	\$ 3,903,429	\$	\$
In Lieu Tax Payments	124,758		
Excess Fees	336,920		
Licenses and Permits	66,103		
Intergovernmental	6,371,939	2,456,167	1,143,386
Charges for Services	38,626		496,737
Miscellaneous	407,290	75,726	128,622
Interest	20,028	3,507	5,043
Total Receipts	<u>11,269,093</u>	<u>2,535,400</u>	<u>1,773,788</u>
DISBURSEMENTS			
General Government	2,894,293		
Protection to Persons and Property	53,179		1,886,840
General Health and Sanitation	997,326		
Social Services	22,576		
Recreation and Culture	212,339		
Roads		2,765,299	
Debt Service		278,238	
Capital Projects	10,000	873,211	27,654
Administration	457,087	517,799	717,572
Total Disbursements	<u>4,646,800</u>	<u>4,434,547</u>	<u>2,632,066</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>6,622,293</u>	<u>(1,899,147)</u>	<u>(858,278)</u>
Other Adjustments to Cash (Uses)			
Transfers From Other Funds	150,000	1,900,000	1,423,332
Transfers To Other Funds	(7,091,076)		
Total Other Adjustments to Cash (Uses)	<u>(6,941,076)</u>	<u>1,900,000</u>	<u>1,423,332</u>
Net Change in Fund Balance	(318,783)	853	565,054
Fund Balance - Beginning (Restated)	<u>2,367,165</u>	<u>525,827</u>	<u>355,452</u>
Fund Balance - Ending	<u>\$ 2,048,382</u>	<u>\$ 526,680</u>	<u>\$ 920,506</u>
Composition of Fund Balance			
Bank Balance	\$ 2,053,218	\$ 532,097	\$ 921,779
Less: Outstanding Checks	<u>(4,836)</u>	<u>(5,417)</u>	<u>(1,273)</u>
Fund Balance - Ending	<u>\$ 2,048,382</u>	<u>\$ 526,680</u>	<u>\$ 920,506</u>

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

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

Budgeted Funds					Unbudgeted Fund	
Local Government Economic Assistance Fund	Jail Grant Fund	Jail Construction Fund	911 Fund	American Recovery Plan Act Fund	Jail Commissary Fund	Total Funds
\$	\$	\$ 11,093	\$ 771,190	\$	\$	\$ 4,685,712
						124,758
						336,920
						66,103
6,744			38,114			10,016,350
			18,607		349,702	535,363
	11,162	307	1,711	933	360	979,947
6,744	11,162	11,400	829,622	933	350,062	43,051
						16,788,204
						2,894,293
			347,268			2,287,287
						997,326
						22,576
					376,748	589,087
6,744						2,772,043
						278,238
						910,865
			104,417			1,796,875
6,744			451,685		376,748	12,548,590
	11,162	11,400	377,937	933	(26,686)	4,239,614
			150,000	3,787,744		7,411,076
		(170,000)	(150,000)			(7,411,076)
		(170,000)		3,787,744		
	11,162	(158,600)	377,937	3,788,677	(26,686)	4,239,614
	1,420,099	177,817			73,931	4,920,291
\$ 0	\$ 1,431,261	\$ 19,217	\$ 377,937	\$ 3,788,677	\$ 47,245	\$ 9,159,905
\$	\$ 1,431,261	\$ 19,217	\$ 378,007	\$ 3,788,677	\$ 47,609	\$ 9,171,865
			(70)		(364)	(11,960)
\$ 0	\$ 1,431,261	\$ 19,217	\$ 377,937	\$ 3,788,677	\$ 47,245	\$ 9,159,905

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

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TO THE FINANCIAL STATEMENT**

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**CALLOWAY COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2021

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

CALLOWAY 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.

Jail Grant Fund - This fund was established to isolate state grant proceeds intended to offset construction costs of the county jail. These funds and associated earnings are intended to be used for future repayments of jail debt.

Jail Construction Fund - The primary purpose of this fund is to account for tax revenues generated for the payment of the new jail. Debt payments were transferred to the public properties corporation for payment, but the jail debt has since been paid in full.

911 Fund - The primary purpose of this fund is to account for dispatch services of the county. The primary sources of receipts for this fund are 911 fees.

American Recovery Plan Act Fund - The primary purpose of this fund is to account for funds received by the federal government.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

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

D. Budgetary Information

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

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

E. Calloway County Elected Officials

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

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

F. Deposits and Investments

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

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

G. Long-term Obligations

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

H. Related Obligations and Joint Ventures

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on this criteria, the following are considered related organizations of the Calloway County Fiscal Court:

Industrial Development Authority
 Fire Departments
 South 641 Water District
 Almo/Dexter Water District
 Library

Lynn Grove Water District
 Water District #2
 Extension District
 Conservation District

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

Note 1. Summary of Significant Accounting Policies (Continued)

H. Related Obligations and Joint Ventures (Continued)

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

Murray-Calloway County Hospital

Note 2. Deposits

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

Custodial Credit Risk - Deposits

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

Note 3. Transfers

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

	General Fund	911 Fund	Jail Construction Fund	Total Transfers In
General Fund	\$	\$ 150,000	\$	\$ 150,000
Road Fund	1,900,000			1,900,000
Jail Fund	1,253,332		170,000	1,423,332
911 Fund	150,000			150,000
ARPA Fund	3,787,744			3,787,744
Total Transfers Out	<u>\$ 7,091,076</u>	<u>\$ 150,000</u>	<u>\$ 170,000</u>	<u>\$ 7,411,076</u>

Reason for transfers:

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

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

Note 4. Custodial Funds

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

The fiscal court has the following custodial fund:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2021, was \$230,976.

Note 5. Long-term Debt

A. Direct Borrowings and Direct Placements

1. Excavator

On August 5, 2015, the fiscal court entered into a financing agreement with Republic Bank through Kentucky Association of Counties Leasing Trust to purchase an excavator in the amount of \$250,000. The terms of this agreement consist of 72 principal and interest payments due monthly beginning September 20, 2015 and ending August 20, 2021. As of June 30, 2021, Calloway County had made all principal payments and retired this debt.

2. Vehicles

On August 15, 2017, the fiscal court entered into an agreement with Kentucky Association of Counties Leasing Trust, through PNC Bank in the amount of \$175,308 at a 3.250 percent effective interest rate. The financing obligation is for the purpose of purchasing two dump trucks, which will be used to secure the loan. The maturity date of the obligation is August 20, 2022. The principal balance as of June 30, 2021, was \$43,058. Future principal and interest requirements are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2022	\$ 36,825	\$ 854
2023	<u>6,233</u>	<u>25</u>
Totals	<u>\$ 43,058</u>	<u>\$ 879</u>

3. Tractors

On July 18, 2018, the fiscal court entered into an agreement with Kentucky Association of Counties Leasing Trust, through PNC Bank in the amount of \$370,000 at a 4.30 percent effective interest rate. The financing obligation is for the purpose of purchasing four tractors, which will be used to secure the loan. The maturity date of the obligation is August 20, 2023. As of June 30, 2021, Calloway County was in compliance with the terms of this agreement. The principal balance as of June 30, 2021, was \$170,016. Future principal and interest requirements are as follows:

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

Note 5. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

3. Tractors (Continued)

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 76,689	\$ 5,810
2023	79,734	2,453
2024	13,593	73
Totals	<u>\$ 170,016</u>	<u>\$ 8,336</u>

4. Graders

On June 25, 2020, the fiscal court entered into an agreement with Kentucky Association of Counties Leasing Trust, through PNC Bank in the amount of \$498,234 at a 2.66 percent effective interest rate. The financing obligation is for the purpose of purchasing two graders, which will be used to secure the loan. The maturity date of the obligation is June 20, 2025. The principal balance as of June 30, 2021, was \$403,386. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	97,309	9,549
2023	99,630	6,932
2024	102,007	4,253
2025	104,440	1,510
Totals	<u>\$ 403,386</u>	<u>\$ 22,244</u>

B. Changes In Long-term Debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	<u>\$ 869,542</u>	<u>\$</u>	<u>\$ 253,082</u>	<u>\$ 616,460</u>	<u>\$ 210,823</u>
Total Long-term Debt	<u>\$ 869,542</u>	<u>\$ 0</u>	<u>\$ 253,082</u>	<u>\$ 616,460</u>	<u>\$ 210,823</u>

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

Note 5. Long-term Debt (Continued)

C. Aggregate Debt Schedule

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

Fiscal Year Ended June 30	Direct Borrowings and Direct Placements	
	Principal	Interest
2022	\$ 210,823	\$ 16,213
2023	185,597	9,410
2024	115,600	4,326
2025	104,440	1,510
Totals	<u>\$ 616,460</u>	<u>\$ 31,459</u>

Note 6. 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 7. 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 CERS nine (9) member board of trustees is responsible for the governance of the CERS pension and insurance plans.

The county's contribution for FY 2019 was \$754,328, FY 2020 was \$918,174, and FY 2021 was \$697,596.

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.

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

Note 7. Employee Retirement System (Continued)

Nonhazardous (Continued)

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

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

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

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

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

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

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

Benefits are covered under KRS 78.5536.

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

Note 7. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

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

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

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

Tier 2 member benefits are covered by KRS 78.5536. Tier 3 members are not covered by the same provisions.

C. Cost of Living Adjustments - Tier 1

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

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

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

E. Death Benefit

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

KRS Annual Financial Report and Proportionate Share Audit Report

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

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

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

Note 8. Deferred Compensation

On January 1, 1997, the Calloway 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 9. Health Reimbursement Account/Flexible Spending Account

The Calloway County Fiscal Court offers their employees a health reimbursement account (HRA) that includes the benefit of the first \$500 of claims for the year to be paid by the county. These claims are billed to the county by the county's insurance provider. The county also established a flexible spending account (FSA) to provide employees an additional health benefit. Employees contribute to their FSA through payroll deduction. The county has contracted with a third party to administer the FSA.

Note 10. Insurance

For the fiscal year ended June 30, 2021, the Calloway 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 11. Prior Period Adjustments

	General Fund
Ending Fund Balance Prior Year	\$ 2,365,855
Adjustments:	
Prior Year Voided Checks	1,310
Beginning Fund Balance - Restated	<u>\$ 2,367,165</u>

CALLOWAY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2021

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CALLOWAY 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	\$ 3,959,800	\$ 3,959,800	\$ 3,903,429	\$ (56,371)
In Lieu Tax Payments	173,000	173,000	124,758	(48,242)
Excess Fees	101,000	275,409	336,920	61,511
Licenses and Permits	50,150	50,150	66,103	15,953
Intergovernmental	719,015	6,630,650	6,371,939	(258,711)
Charges for Services	20,000	20,000	38,626	18,626
Miscellaneous	304,000	304,000	407,290	103,290
Interest	35,000	35,000	20,028	(14,972)
Total Receipts	5,361,965	11,448,009	11,269,093	(178,916)
DISBURSEMENTS				
General Government	3,384,056	3,929,923	2,894,293	1,035,630
Protection to Persons and Property	274,400	257,202	53,179	204,023
General Health and Sanitation	399,597	2,266,540	997,326	1,269,214
Social Services	33,000	33,000	22,576	10,424
Recreation and Culture	405,000	405,000	212,339	192,661
Capital Projects	111,000	111,000	10,000	101,000
Administration	700,800	603,488	457,087	146,401
Total Disbursements	5,307,853	7,606,153	4,646,800	2,959,353
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	54,112	3,841,856	6,622,293	2,780,437
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	105,000	105,000	150,000	45,000
Transfers To Other Funds	(2,922,607)	(6,710,351)	(7,091,076)	(380,725)
Total Other Adjustments to Cash (Uses)	(2,817,607)	(6,605,351)	(6,941,076)	(335,725)
Net Change in Fund Balance	(2,763,495)	(2,763,495)	(318,783)	2,444,712
Fund Balance - Beginning	2,763,495	2,763,495	2,367,165	(396,330)
Fund Balance - Ending	\$ 0	\$ 0	\$ 2,048,382	\$ 2,048,382

CALLOWAY 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	\$ 1,852,228	\$ 2,423,542	\$ 2,456,167	\$ 32,625
Miscellaneous	71,000	71,000	75,726	4,726
Interest	3,500	3,500	3,507	7
Total Receipts	1,926,728	2,498,042	2,535,400	37,358
DISBURSEMENTS				
Roads	3,092,094	3,178,459	2,765,299	413,160
Debt Service	287,000	287,000	278,238	8,762
Capital Projects	290,224	873,211	873,211	
Administration	737,675	639,637	517,799	121,838
Total Disbursements	4,406,993	4,978,307	4,434,547	543,760
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(2,480,265)	(2,480,265)	(1,899,147)	581,118
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,807,510	1,807,510	1,900,000	92,490
Total Other Adjustments to Cash (Uses)	1,807,510	1,807,510	1,900,000	92,490
Net Change in Fund Balance	(672,755)	(672,755)	853	673,608
Fund Balance - Beginning	672,755	672,755	525,827	(146,928)
Fund Balance - Ending	\$ 0	\$ 0	\$ 526,680	\$ 526,680

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

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,513,900	\$ 1,513,900	\$ 1,143,386	\$ (370,514)
Charges for Services	286,000	286,000	496,737	210,737
Miscellaneous	145,000	145,000	128,622	(16,378)
Interest	3,000	3,000	5,043	2,043
Total Receipts	1,947,900	1,947,900	1,773,788	(174,112)
DISBURSEMENTS				
Protection to Persons and Property	2,175,013	2,263,720	1,886,840	376,880
Capital Projects	50,000	50,000	27,654	22,346
Administration	947,084	858,377	717,572	140,805
Total Disbursements	3,172,097	3,172,097	2,632,066	540,031
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,224,197)	(1,224,197)	(858,278)	365,919
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,010,097	1,010,097	1,423,332	413,235
Total Other Adjustments to Cash (Uses)	1,010,097	1,010,097	1,423,332	413,235
Net Change in Fund Balance	(214,100)	(214,100)	565,054	779,154
Fund Balance - Beginning	214,100	214,100	355,452	141,352
Fund Balance - Ending	\$ 0	\$ 0	\$ 920,506	\$ 920,506

CALLOWAY 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	\$	\$ 8,000	\$ 6,744	\$ (1,256)
Total Receipts		8,000	6,744	(1,256)
DISBURSEMENTS				
Roads		8,000	6,744	1,256
Total Disbursements		8,000	6,744	1,256
Net Change in Fund Balance				
Fund Balance - Beginning				
Fund Balance - Ending	\$ 0	\$ 0	\$ 0	\$ 0

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

JAIL GRANT FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Interest	\$ 8,000	\$ 8,000	\$ 11,162	\$ 3,162
Total Receipts	8,000	8,000	11,162	3,162
DISBURSEMENTS				
Capital Projects	1,423,258	1,423,258		1,423,258
Total Disbursements	1,423,258	1,423,258		1,423,258
Net Change in Fund Balance	(1,415,258)	(1,415,258)	11,162	1,426,420
Fund Balance - Beginning	1,415,258	1,415,258	1,420,099	4,841
Fund Balance - Ending	\$ 0	\$ 0	\$ 1,431,261	\$ 1,431,261

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

JAIL CONSTRUCTION FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 10,200	\$ 10,200	\$ 11,093	\$ 893
Interest	2,000	2,000	307	(1,693)
Total Receipts	12,200	12,200	11,400	(800)
DISBURSEMENTS				
Debt Service	100	100		100
Administration	84,100	84,100		84,100
Total Disbursements	84,200	84,200		84,200
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(72,000)	(72,000)	11,400	83,400
Other Adjustments to Cash (Uses)				
Transfers To Other Funds			(170,000)	(170,000)
Total Other Adjustments to Cash (Uses)			(170,000)	(170,000)
Net Change in Fund Balance	(72,000)	(72,000)	(158,600)	(86,600)
Fund Balance - Beginning	72,000	72,000	177,817	105,817
Fund Balance - Ending	\$ 0	\$ 0	\$ 19,217	\$ 19,217

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

	911 FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 766,000	\$ 766,000	\$ 771,190	\$ 5,190
Intergovernmental	175,000	175,000	38,114	(136,886)
Miscellaneous			18,607	18,607
Interest			1,711	1,711
Total Receipts	941,000	941,000	829,622	(111,378)
DISBURSEMENTS				
Protection to Persons and Property	670,500	714,278	347,268	367,010
Administration	270,500	226,722	104,417	122,305
Total Disbursements	941,000	941,000	451,685	489,315
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			377,937	377,937
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	105,000	105,000	150,000	45,000
Transfers To Other Funds	(105,000)	(105,000)	(150,000)	(45,000)
Total Other Adjustments to Cash (Uses)				
Net Change in Fund Balance			377,937	377,937
Fund Balance - Beginning				
Fund Balance - Ending	\$ 0	\$ 0	\$ 377,937	\$ 377,937

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

AMERICAN RECOVERY PLAN ACT FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Interest	\$	\$	933	933
Total Receipts			933	933
DISBURSEMENTS				
Capital Projects		3,787,744		3,787,744
Total Disbursements		3,787,744		3,787,744
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		(3,787,744)	933	3,788,677
Other Adjustments to Cash (Uses)				
Transfers From Other Funds		3,787,744	3,787,744	
Total Other Adjustments to Cash (Uses)		3,787,744	3,787,744	
Net Change in Fund Balance			3,788,677	3,788,677
Fund Balance - Beginning				
Fund Balance - Ending	\$ 0	\$ 0	\$ 3,788,677	\$ 3,788,677

CALLOWAY 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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CALLOWAY COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2021

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CALLOWAY 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 Treasury</u>				
<i>Passed-Through Kentucky Department for Local Government</i>				
COVID-19 - Coronavirus Relief Fund	21.019	2100000186 & 2100001242	\$	\$ 898,678
Total U.S. Department of Treasury				898,678
<u>U. S. Department of Military Affairs</u>				
<i>Passed-Through Kentucky Office of Homeland Security</i>				
Emergency Management Performance Grant	97.042		\$	\$ 9,387
Total U.S. Department of Military Affairs				9,387
 Total Expenditures of Federal Awards			 \$ 0	 \$ 908,065

The accompanying notes are an integral part of this schedule

CALLOWAYCALLOWAY 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 Calloway 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 Calloway County, Kentucky, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Calloway 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

Calloway 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.

CALLOWAY COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2021

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CALLOWAY 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	\$ 348,227	\$	\$	\$ 348,227
Buildings	10,007,227			10,007,227
Vehicles	1,064,593	175,000		1,239,593
Machinery and Equipment	2,606,450	582,234		3,188,684
Infrastructure	7,356,040			7,356,040
 Total Capital Assets	 <u>\$ 21,382,537</u>	 <u>\$ 757,234</u>	 <u>\$ 0</u>	 <u>\$ 22,139,771</u>

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

June 30, 2021

Note 1. Capital Assets

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

	<u>Capitalization Threshold</u>	<u>Useful Life (Years)</u>
Land	Capitalize Only	
Land Improvements	\$ 12,500	10-60
Buildings	\$ 25,000	10-75
Building Improvements	\$ 25,000	
Construction In Progress	Capitalize Only	
Vehicles	\$ 20,000	3-25
Machinery and Equipment	\$ 20,000	3-25
Infrastructure	\$ 20,000	10-50

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

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Kenny Imes, Calloway County Judge/Executive
Members of the Calloway 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 Calloway County Fiscal Court for the fiscal year ended June 30, 2021 and the related notes to the financial statement which collectively comprise the Calloway County Fiscal Court's financial statement and have issued our report thereon dated May 18, 2022.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2021-001 to be a material weakness.



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

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Calloway 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2021-001.

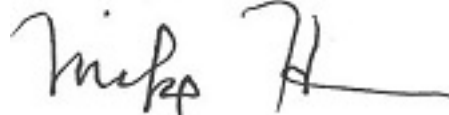
Views of Responsible Officials and Planned Corrective Action

Calloway County's views and planned corrective action for the finding identified in our audit are included in the accompanying Schedule of Findings and Questioned Costs. The county's response was not subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we express no opinion on it.

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,

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Mike Harmon
Auditor of Public Accounts

May 18, 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 Kenny Imes, Calloway County Judge/Executive
Members of the Calloway 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 Calloway 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 Calloway County Fiscal Court's major federal programs for the year ended June 30, 2021. The Calloway 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 Calloway 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 Calloway 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 Calloway 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 Calloway 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 Calloway 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 Calloway 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 Calloway County Fiscal Court's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Respectfully submitted,

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

May 18, 2022

CALLOWAY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended June 30, 2021

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CALLOWAY 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 type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Type of auditor's report issued on compliance for major federal programs: <i>Unmodified</i>		
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

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

Section II: Financial Statement Findings

2021-001 The Calloway County Fiscal Court's Schedule Of Expenditures Of Federal Awards Was Materially Overstated

This is a repeat finding and was included in the prior year audit report as finding 2020-005. The Calloway County Fiscal Court's original schedule of expenditures of federal awards was materially overstated by \$1,002,208, requiring a material adjustment. The total overstatement is made up of the following errors made on the following programs:

- Assistance Listing Number 21.019 – \$878,909 was included on the schedule of expenditures of federal awards that was expended in fiscal year 2020.
- Two state grants were included on the schedule of federal expenditures. \$10,000 was included as a Kentucky Ambulance Block Grant and \$103,912 was included as a Kentucky 911 Services Grant. These two state programs resulted in a total misstatement of \$113,912.
- Federal expenditures in the amount of \$9,387 for the emergency management director's salary were omitted from the schedule of expenditures of federal awards.

According to the county treasurer, all monies awarded by the coronavirus relief fund were received in fiscal year 2021 and were mistakenly documented as fiscal year 2021 federal expenditures. In addition, it was thought that the ambulance grant and 911 services grant were federal money. Also, according to the county treasurer, the county was not aware that the reimbursement for the emergency management director's salary was required to be included on the schedule of expenditures of federal awards.

As a result of the errors made and the lack of effective operating controls, the original schedule of expenditures of federal awards was materially misstated. Furthermore, the fiscal court is not in compliance with 2 CFR 200.510(b).

Strong internal controls over financial reporting are vital in ensuring that federal awards expended are accounted for and reported properly. Strong internal controls are also important in safeguarding the county's assets and those given the responsibility of accounting for them, as well as helping make certain the county is in compliance with all requirements and guidance. Additionally, 2 CFR 200.510(b) states, "[t]he auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended."

We recommend the Calloway County Fiscal Court implement or strengthen controls over federal award expenditures reporting to ensure amounts reported represent federal expenditures during the year.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: Calloway County will strengthen its controls over the federal expenditure reporting by verifying what branch the grant is received from. [Name redacted] will keep a list of all expenditures throughout the year that should be listed on the federal expenditure report.

Section III: Federal Award Findings And Questioned Costs

None.

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

Section IV: Summary Schedule of Prior Audit Findings

Finding Number	Prior Year Finding Title	Status	Corrective Action
2020-001	Internal Control Deficiencies And Non-Compliances Exist Over The Collection Of Receipts At Off-Site Locations	Partially Resolved	Calloway Co. Fiscal Court no longer owns the Dexter Community Center, nor has regular off-site sales through the Calloway County Road Department. The Animal Shelter will start keeping a ledger of all transactions along with bringing daily deposits.
2020-002	Weak Internal Controls Resulted In The Misstatement Of Capital Assets On The County's Schedule Of Capital Assets	Partially Resolved	The Treasurer's office has taken over the Capital Assets List and will be reconciled as advised.
2020-003	The Calloway County Fiscal Court Did Not Notify The State Local Debt Officer Regarding Long Term Debt Obligations	Resolved	The Fiscal Court will comply in the future regarding KRS 68.280 & KRS 68.300 by amending the budget for unanticipated receipts and disbursements handled by a third-party lender.
2020-004	The Calloway County Fiscal Court Did Not Properly Budget For And Record All Debt Related Disbursements	Resolved	The Fiscal Court will make proper notification to the Department for Local Government in the future regarding purchases over the set threshold of \$200,000.
2020-005	The Calloway County Fiscal Court's Schedule Of Expenditures Of Federal Awards Was Materially Misstated	Repeated	The Fiscal Court will establish a reporting guidance to assist the treasurer with accurate information regarding federal assistance grants.
2020-006	The Fiscal Court Failed To Implement Adequate Internal Controls Over Period Of Performance	Resolved	The Fiscal Court will implement internal controls to determine if expenses are in compliance with laws, regulation, and provisions of grant agreements.

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

CALLOWAY COUNTY FISCAL COURT

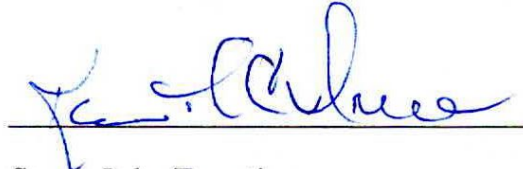
For The Year Ended June 30, 2021

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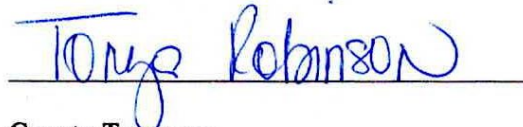
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
COUNTY FISCAL COURT

For The Year Ended June 30, 2021

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

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

County Judge/Executive

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

County Treasurer