

**REPORT OF THE AUDIT OF THE
EDMONSON 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**

CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT	1
EDMONSON COUNTY OFFICIALS	4
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - REGULATORY BASIS.....	6
NOTES TO FINANCIAL STATEMENT.....	10
BUDGETARY COMPARISON SCHEDULES.....	23
NOTES TO REGULATORY SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULES	32
SCHEDULE OF CAPITAL ASSETS.....	35
NOTES TO OTHER INFORMATION - REGULATORY BASIS SCHEDULE OF CAPITAL ASSETS.....	36
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 <i>GOVERNMENT AUDITING STANDARDS</i>	39
SCHEDULE OF FINDINGS AND RESPONSES.....	43
APPENDIX A:	
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	

THIS PAGE LEFT BLANK INTENTIONALLY



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 Wil Cannon, Edmonson County Judge/Executive
Members of the Edmonson 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 Edmonson County Fiscal Court, for the year ended June 30, 2021, and the related notes to the financial statement, which collectively comprise the Edmonson 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
The Honorable Wil Cannon, Edmonson County Judge/Executive
Members of the Edmonson 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 Edmonson 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 Edmonson 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 Edmonson 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 Edmonson County Fiscal Court. The Budgetary Comparison Schedules (supplementary information) and Schedule of Capital Assets (other information) are presented for purposes of additional analysis and are not a required part of the financial statement; however, they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 19, 2022, on our consideration of the Edmonson 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 Edmonson County Fiscal Court's internal control over financial reporting and compliance.

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

- 2021-001 The Edmonson County Fiscal Court Does Not Have Adequate Internal Controls Over Procurement
- 2021-002 The Edmonson County Fiscal Court Failed To Accurately Record The Activity Of The General Fund And Road Fund On The Fourth Quarter Financial Report

Respectfully submitted,

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

Mike Harmon
Auditor of Public Accounts

April 19, 2022

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

Wil Cannon	County Judge/Executive
Mark Meeks	Magistrate
Corey VanMeter	Magistrate
Charles Tarter	Magistrate
Charles 'Edd' Rich	Magistrate
Johnny Brooks	Magistrate
James Vincent	Magistrate

Other Elected Officials:

Greg Vincent	County Attorney
Hank Vincent	Jailer
Kevin Alexander	County Clerk
Tanya Luttrell	Circuit Court Clerk
Shane Doyle	Sheriff
Kyle White	Property Valuation Administrator
Brentley Esters	Coroner

Appointed Personnel:

Tammi Willhite	County Treasurer
Amy Heath	Financial Officer

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

For The Year Ended June 30, 2021

EDMONSON 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	\$ 1,238,288	\$	\$
In Lieu Tax Payments	150,100		
Licenses and Permits	25,765		
Intergovernmental	1,893,610	1,316,204	78,150
Charges for Services	39,616		2,770
Miscellaneous	97,137	5,696	182
Interest	12,562	6,210	26
Total Receipts	<u>3,457,078</u>	<u>1,328,110</u>	<u>81,128</u>
DISBURSEMENTS			
General Government	1,955,819		
Protection to Persons and Property	120,648		305,778
General Health and Sanitation	128,174		
Social Services	1,750		
Recreation and Culture	22,804		
Roads		1,418,198	
Debt Service	83,580	51,178	
Capital Projects		22,118	
Administration	471,658	191,491	17,880
Total Disbursements	<u>2,784,433</u>	<u>1,682,985</u>	<u>323,658</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>672,645</u>	<u>(354,875)</u>	<u>(242,530)</u>
Other Adjustments to Cash (Uses)			
Transfers From Other Funds	218,562		225,000
Transfers To Other Funds	<u>(330,120)</u>	<u>(218,537)</u>	
Total Other Adjustments to Cash (Uses)	<u>(111,558)</u>	<u>(218,537)</u>	<u>225,000</u>
Net Change in Fund Balance	561,087	(573,412)	(17,530)
Fund Balance - Beginning (Restated)	<u>614,867</u>	<u>864,172</u>	<u>27,772</u>
Fund Balance - Ending	<u>\$ 1,175,954</u>	<u>\$ 290,760</u>	<u>\$ 10,242</u>
Composition of Fund Balance			
Bank Balance	\$ 1,198,206	\$ 372,085	\$ 11,508
Plus: Deposits In Transit			
Less: Outstanding Checks	<u>(22,252)</u>	<u>(81,325)</u>	<u>(1,266)</u>
Fund Balance - Ending	<u>\$ 1,175,954</u>	<u>\$ 290,760</u>	<u>\$ 10,242</u>

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

EDMONSON 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	Room Tax Fund	Parks and Recreation Fund	Emergency 911 Fund	Emergency 911 Wireless Fund	Community Development Block Grant Fund
\$	\$ 52,823	\$	\$ 94,736	\$	\$
5,199				189,997	
		28,360		25	
1		8	411	4,807	
5,200	52,823	28,368	95,147	194,829	
			88,495	210,468	
3,950	52,526				
		128,215			
		13,989	11,292	50,285	
3,950	52,526	142,204	99,787	260,753	
1,250	297	(113,836)	(4,640)	(65,924)	
		105,120		(25)	
		105,120		(25)	
1,250	297	(8,716)	(4,640)	(65,949)	
4,129	846	9,700	91,241	349,889	
\$ 5,379	\$ 1,143	\$ 984	\$ 86,601	\$ 283,940	\$ 0
\$ 5,379	\$ 1,143	\$ 5,206	\$ 89,945	\$ 287,979	\$
		(4,222)	(3,344)	(4,039)	
\$ 5,379	\$ 1,143	\$ 984	\$ 86,601	\$ 283,940	\$ 0

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

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

	<u>Unbudgeted Fund</u>	
	<u>American Rescue Plan Act Fund</u>	<u>Total Funds</u>
RECEIPTS		
Taxes	\$	\$ 1,385,847
In Lieu Tax Payments		150,100
Licenses and Permits		25,765
Intergovernmental	1,179,997	4,663,157
Charges for Services		42,386
Miscellaneous		131,400
Interest	120	24,145
Total Receipts	<u>1,180,117</u>	<u>6,422,800</u>
DISBURSEMENTS		
General Government		1,955,819
Protection to Persons and Property		725,389
General Health and Sanitation		180,700
Social Services		5,700
Recreation and Culture		151,019
Roads		1,418,198
Debt Service		134,758
Capital Projects		22,118
Administration		756,595
Total Disbursements	<u></u>	<u>5,350,296</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>1,180,117</u>	<u>1,072,504</u>
Other Adjustments to Cash (Uses)		
Transfers From Other Funds		548,682
Transfers To Other Funds		(548,682)
Total Other Adjustments to Cash (Uses)	<u></u>	<u></u>
Net Change in Fund Balance	1,180,117	1,072,504
Fund Balance - Beginning (Restated)	<u></u>	<u>1,962,616</u>
Fund Balance - Ending	<u>\$ 1,180,117</u>	<u>\$ 3,035,120</u>
Composition of Fund Balance		
Bank Balance	\$ 1,180,053	\$ 3,151,504
Plus: Deposits In Transit	64	64
Less: Outstanding Checks	<u></u>	<u>(116,448)</u>
Fund Balance - Ending	<u>\$ 1,180,117</u>	<u>\$ 3,035,120</u>

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

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENT**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	10
NOTE 2.	DEPOSITS	13
NOTE 3.	TRANSFERS.....	14
NOTE 4.	LONG-TERM DEBT	14
NOTE 5.	CONTINGENCIES	16
NOTE 6.	EMPLOYEE RETIREMENT SYSTEM	16
NOTE 7.	DEFERRED COMPENSATION.....	19
NOTE 8.	INSURANCE.....	19
NOTE 9.	CONDUIT DEBT.....	19
NOTE 10.	PRIOR PERIOD ADJUSTMENT	19

**EDMONSON COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2021

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

The Edmonson County Tourist and Convention Commission, Edmonson County Industrial Authority, and Edmonson County Recreational Commission would have been included in the reporting entity under accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. However, under the regulatory basis they are no longer required components of the reporting entity.

B. Basis of Accounting

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

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

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

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

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

EDMONSON 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)

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.

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.

Room Tax Fund - The primary purpose of this fund is to account for the transient room tax collected and submitted to the Edmonson County Tourism and Convention Commission. The primary source of receipts for this fund is the transient room tax from lodging establishments.

Parks and Recreation Fund - The primary purpose of this fund is to account for the expenses of the parks and recreation department. The primary sources of receipts for this fund are transfers from the general fund and recreation tax received from the Edmonson County Recreational Commission.

Emergency 911 Fund - The primary purpose of this fund is to account for the emergency 911 expenses of the county. The primary source of receipts for this fund is the 911 land line telephone surcharge. The Department for Local Government Requires the fiscal court to maintain these receipts and disbursements separately from the general fund.

Emergency 911 Wireless Fund - The primary purpose of this fund is to account for certain emergency 911 expenses of the county. The primary source of receipts for this fund is the 911 wireless telephone surcharge. The Department for Local Government Requires the fiscal court to maintain these receipts and disbursements separately from the general fund.

Community Development Block Grant Fund - The primary purpose of this fund is to account for the community development block grant receipts and disbursements to build a satellite location for Lincoln Fire Department. The primary sources of receipts for this fund are grants from the federal grants.

Unbudgeted Fund

American Rescue Plan Act Fund - The primary purpose of this fund is to account for Coronavirus Relief Fund and related disbursements. The primary sources of receipts for this fund are federal grants.

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

Note 1. Summary of Significant Accounting Policies (Continued)

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 require the American Rescue Plan Act fund to be budgeted. However, the fiscal court did not budget for the funds received in June 2021 as Coronavirus Relief Fund. The funds were not expended in fiscal year 2021.

E. Edmonson County Elected Officials

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

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

F. Deposits

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).

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

Note 1. Summary of Significant Accounting Policies (Continued)

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 Edmonson County Fiscal Court:

Edmonson County Ambulance Service
 Edmonson County Water District
 Edmonson County Planning Commission

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.

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

Note 3. Transfers

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

	General Fund	Road Fund	Emergency 911 Wireless Fund	Total Transfers In
General Fund	\$	\$ 218,537	\$ 25	\$ 218,562
Jail Fund	225,000			225,000
Parks and Recreation Fund	105,120			105,120
Total Transfers Out	<u>\$ 330,120</u>	<u>\$ 218,537</u>	<u>\$ 25</u>	<u>\$ 548,682</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.

Note 4. Long-term Debt

A. Direct Borrowings and Direct Placements

1. General Obligation Refunding Lease, Series 2012

On August 13, 2012, the Edmonson County Fiscal Court entered into a general obligation refunding lease agreement, series 2012, with Fifth Third Bank for \$750,983 to advance refund the first mortgage revenue refunding bonds, series 2004, issued by the Edmonson County Public Properties Corporation. During fiscal year 2021, the Administrative Office of the Courts, Commonwealth of Kentucky, paid debt service of \$83,580 on behalf of the Edmonson County Fiscal Court. Principal is payable annually on March 1 and interest is payable semiannually on September 1 and March 1. The interest rate is 2.17 percent. The maturity date of the lease is March 1, 2023. In the event of default, the lessor may terminate the lease and take immediate possession of the project. As of June 30, 2021, the principal balance was \$123,687. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 72,596	\$ 2,684
2023	51,091	1,109
Totals	<u>\$ 123,687</u>	<u>\$ 3,793</u>

2. Financing Obligation - Trucks

On September 21, 2016, the Edmonson County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust for the purchase of trucks. The principal amount of the lease was \$300,000. The agreement requires monthly principal and interest payments. The interest rate is 2.87 percent. The maturity date is September 20, 2023. In the event of default, the lessor may terminate the lease and take immediate possession of the project. As of June 30, 2021, principal balance outstanding was \$98,519. Future principal and interest requirements are:

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

Note 4. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

2. Financing Obligation - Trucks (Continued)

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 41,039	\$ 2,103
2023	45,842	1,049
2024	11,638	56
Totals	<u>\$ 98,519</u>	<u>\$ 3,208</u>

3. Financing Obligation - Sheriff Vehicle

On January 15, 2020, the Edmonson County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust for the acquisition of a vehicle for the sheriff's office. The principal amount of the lease was \$29,546. The agreement requires monthly principal and interest payments. The interest rate is 3.99 percent. The maturity date was January 20, 2025. In the event of default, the lessor may terminate the lease and take immediate possession of the project. As of June 30, 2021, principal balance outstanding was \$21,329. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 5,302	\$ 693
2023	6,009	530
2024	6,253	286
2025	3,765	50
Totals	<u>\$ 21,329</u>	<u>\$ 1,559</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	\$ 376,054	\$	\$ 132,519	\$ 243,535	\$ 118,938
Total Long-term Debt	<u>\$ 376,054</u>	<u>\$ 0</u>	<u>\$ 132,519</u>	<u>\$ 243,535</u>	<u>\$ 118,938</u>

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

Note 4. Long-term Debt (Continued)

C. 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	Direct Borrowings and Direct Placements	
	Principal	Interest
2022	\$ 118,937	\$ 5,480
2023	102,942	2,688
2024	17,891	342
2025	3,765	50
Totals	<u>\$ 243,535</u>	<u>\$ 8,560</u>

Note 5. Contingencies

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

Note 6. Employee Retirement System

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

The county's contribution for FY 2019 was \$299,003, FY 2020 was \$350,379, and FY 2021 was \$384,036.

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.

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

Note 6. Employee Retirement System (Continued)

Nonhazardous (Continued)

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 with exception of COLA and retiree health benefits after July 2003.

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

Once members reach a minimum vesting period of 15 years, they earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually by 1.5 percent.

NOTES TO FINANCIAL STATEMENT
June 30, 2021
(Continued)

Note 6. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

B. Health Insurance Coverage - Tier 2 and Tier 3 - Nonhazardous (Continued)

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

C. Cost of Living Adjustments - Tier 1

The 1996 General Assembly enacted an automatic cost of living adjustment (COLA) provision for all recipients of KRS benefits. During the 2008 Special Session, the General Assembly determined that each July beginning in 2009, retirees who have been receiving a retirement allowance for at least 12 months will receive an automatic COLA of 1.5 percent.

The COLA is not a guaranteed benefit. If a retiree has been receiving a benefit for less than 12 months, and a COLA is provided, it will be prorated based on the number of months the recipient has been receiving a benefit.

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

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

E. Death Benefit

If a retired member is receiving a monthly benefit based on at least 48 months of service credit, 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.

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

Note 7. Deferred Compensation

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

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

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

Note 8. Insurance

For the fiscal year ended June 30, 2021, the Edmonson 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 9. Conduit Debt

From time to time, the county has issued bonds to provide financial assistance to industries in Edmonson County for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest, in accordance with KRS 103.210. This debt may take the form of certain types of limited-obligation revenue bonds, certificates of participation, or similar debt instruments. Although conduit debt obligations bear the Edmonson County Fiscal Court's name as issuer, the fiscal court has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf it is issued. Neither the fiscal court nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statement. As of June 30, 2021, conduit debt has been issued but the amount currently outstanding is not reasonably determinable.

Note 10. Prior Period Adjustment

	General Fund
Ending Fund Balances Prior Year	\$ 614,309
Prior Year Voided Checks	558
Beginning Fund Balances Restated	<u>\$ 614,867</u>

THIS PAGE LEFT BLANK INTENTIONALLY

EDMONSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2021

THIS PAGE LEFT BLANK INTENTIONALLY

EDMONSON 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	\$ 1,271,100	\$ 1,271,100	\$ 1,238,288	\$ (32,812)
In Lieu Tax Payments	157,000	157,000	150,100	(6,900)
Licenses and Permits	27,000	27,000	25,765	(1,235)
Intergovernmental	1,336,880	1,890,652	1,893,610	2,958
Charges for Services	48,000	48,000	39,616	(8,384)
Miscellaneous	67,100	67,100	97,137	30,037
Interest	7,000	7,000	12,562	5,562
Total Receipts	<u>2,914,080</u>	<u>3,467,852</u>	<u>3,457,078</u>	<u>(10,774)</u>
DISBURSEMENTS				
General Government	1,921,850	2,243,596	1,955,819	287,777
Protection to Persons and Property	209,351	209,694	120,648	89,046
General Health and Sanitation	161,901	162,660	128,174	34,486
Social Services	2,250	2,250	1,750	500
Recreation and Culture	25,000	25,000	22,804	2,196
Debt Service	83,580	83,580	83,580	
Administration	777,143	1,008,067	471,658	536,409
Total Disbursements	<u>3,181,075</u>	<u>3,734,847</u>	<u>2,784,433</u>	<u>950,414</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(266,995)</u>	<u>(266,995)</u>	<u>672,645</u>	<u>939,640</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	233,870	233,870	218,562	(15,308)
Transfers To Other Funds	<u>(566,875)</u>	<u>(566,875)</u>	<u>(330,120)</u>	<u>236,755</u>
Total Other Adjustments to Cash (Uses)	<u>(333,005)</u>	<u>(333,005)</u>	<u>(111,558)</u>	<u>221,447</u>
Net Change in Fund Balance	(600,000)	(600,000)	561,087	1,161,087
Fund Balance - Beginning (Restated)	<u>600,000</u>	<u>600,000</u>	<u>614,867</u>	<u>14,867</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,175,954</u>	<u>\$ 1,175,954</u>

EDMONSON 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	\$ 1,392,576	\$ 1,392,576	\$ 1,316,204	\$ (76,372)
Miscellaneous	41,000	41,000	5,696	(35,304)
Interest	10,000	10,000	6,210	(3,790)
Total Receipts	<u>1,443,576</u>	<u>1,443,576</u>	<u>1,328,110</u>	<u>(115,466)</u>
DISBURSEMENTS				
Roads	1,449,518	1,622,868	1,418,198	204,670
Debt Service	48,000	51,590	51,178	412
Capital Projects	25,000	22,118	22,118	
Administration	587,188	413,130	191,491	221,639
Total Disbursements	<u>2,109,706</u>	<u>2,109,706</u>	<u>1,682,985</u>	<u>426,721</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(666,130)</u>	<u>(666,130)</u>	<u>(354,875)</u>	<u>311,255</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	<u>(233,870)</u>	<u>(233,870)</u>	<u>(218,537)</u>	<u>15,333</u>
Total Other Adjustments to Cash (Uses)	<u>(233,870)</u>	<u>(233,870)</u>	<u>(218,537)</u>	<u>15,333</u>
Net Change in Fund Balance	(900,000)	(900,000)	(573,412)	326,588
Fund Balance - Beginning	<u>900,000</u>	<u>900,000</u>	<u>864,172</u>	<u>(35,828)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 290,760</u>	<u>\$ 290,760</u>

EDMONSON 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	\$ 84,550	\$ 84,550	\$ 78,150	\$ (6,400)
Charges for Services	3,000	3,000	2,770	(230)
Miscellaneous	1,000	1,000	182	(818)
Interest	50	50	26	(24)
Total Receipts	88,600	88,600	81,128	(7,472)
DISBURSEMENTS				
Protection to Persons and Property	549,000	548,017	305,778	242,239
Administration	22,600	23,583	17,880	5,703
Total Disbursements	571,600	571,600	323,658	247,942
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(483,000)	(483,000)	(242,530)	240,470
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	460,400	460,400	225,000	(235,400)
Total Other Adjustments to Cash (Uses)	460,400	460,400	225,000	(235,400)
Net Change in Fund Balance	(22,600)	(22,600)	(17,530)	5,070
Fund Balance - Beginning	22,600	22,600	27,772	5,172
Fund Balance - Ending	\$ 0	\$ 0	\$ 10,242	\$ 10,242

EDMONSON 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	\$ 10,000	\$ 10,000	\$ 5,199	\$ (4,801)
Interest			1	1
Total Receipts	10,000	10,000	5,200	(4,800)
DISBURSEMENTS				
Social Services	4,250	4,250	3,950	300
Recreation and Culture	11,750	11,750		11,750
Total Disbursements	16,000	16,000	3,950	12,050
Net Change in Fund Balance	(6,000)	(6,000)	1,250	7,250
Fund Balance - Beginning	6,000	6,000	4,129	(1,871)
Fund Balance - Ending	\$ 0	\$ 0	\$ 5,379	\$ 5,379

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

ROOM TAX FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 74,950	\$ 74,950	\$ 52,823	\$ (22,127)
Total Receipts	74,950	74,950	52,823	(22,127)
DISBURSEMENTS				
General Health and Sanitation	75,000	75,000	52,526	22,474
Total Disbursements	75,000	75,000	52,526	22,474
Net Change in Fund Balance	(50)	(50)	297	347
Fund Balance - Beginning	50	50	846	796
Fund Balance - Ending	\$ 0	\$ 0	\$ 1,143	\$ 1,143

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

PARKS AND RECREATION FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Miscellaneous	\$ 38,500	\$ 38,500	\$ 28,360	\$ (10,140)
Interest	25	25	8	(17)
Total Receipts	38,525	38,525	28,368	(10,157)
DISBURSEMENTS				
Recreation and Culture	132,850	134,505	128,215	6,290
Administration	17,150	15,495	13,989	1,506
Total Disbursements	150,000	150,000	142,204	7,796
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(111,475)	(111,475)	(113,836)	(2,361)
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	106,475	106,475	105,120	(1,355)
Total Other Adjustments to Cash (Uses)	106,475	106,475	105,120	(1,355)
Net Change in Fund Balance	(5,000)	(5,000)	(8,716)	(3,716)
Fund Balance - Beginning	5,000	5,000	9,700	4,700
Fund Balance - Ending	\$ 0	\$ 0	\$ 984	\$ 984

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

EMERGENCY 911 FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 100,000	\$ 100,000	\$ 94,736	\$ (5,264)
Miscellaneous	1,000	1,000		(1,000)
Interest	750	750	411	(339)
Total Receipts	101,750	101,750	95,147	(6,603)
DISBURSEMENTS				
Protection to Persons and Property	122,500	122,500	88,495	34,005
Administration	79,250	79,250	11,292	67,958
Total Disbursements	201,750	201,750	99,787	101,963
Net Change in Fund Balance	(100,000)	(100,000)	(4,640)	95,360
Fund Balance - Beginning	100,000	100,000	91,241	(8,759)
Fund Balance - Ending	\$ 0	\$ 0	\$ 86,601	\$ 86,601

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

EMERGENCY 911 WIRELESS FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 180,000	\$ 180,000	\$ 189,997	\$ 9,997
Miscellaneous	1,000	1,000	25	(975)
Interest	5,000	5,000	4,807	(193)
Total Receipts	186,000	186,000	194,829	8,829
DISBURSEMENTS				
Protection to Persons and Property	229,000	266,284	210,468	55,816
Administration	257,000	219,716	50,285	169,431
Total Disbursements	486,000	486,000	260,753	225,247
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(300,000)	(300,000)	(65,924)	234,076
Other Adjustments to Cash (Uses)				
Transfers To Other Funds			(25)	(25)
Total Other Adjustments to Cash (Uses)			(25)	(25)
Net Change in Fund Balance	(300,000)	(300,000)	(65,949)	234,051
Fund Balance - Beginning	300,000	300,000	349,889	49,889
Fund Balance - Ending	\$ 0	\$ 0	\$ 283,940	\$ 283,940

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

COMMUNITY DEVELOPMENT BLOCK GRANT FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 500,000	\$ 500,000	\$	\$ (500,000)
Total Receipts	500,000	500,000		(500,000)
DISBURSEMENTS				
Capital Projects	500,000	500,000		500,000
Total Disbursements	500,000	500,000		500,000
Net Change in Fund Balance				
Fund Balance - Beginning				
Fund Balance - Ending	\$ 0	\$ 0	\$ 0	\$ 0

EDMONSON 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.

EDMONSON COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2021

THIS PAGE LEFT BLANK INTENTIONALLY

EDMONSON 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:

	(Restated*) Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 675,269	\$ 180,000	\$	\$ 855,269
Buildings	3,008,705			3,008,705
Vehicles and Equipment*	2,586,396	257,996	161,271	2,683,121
Infrastructure	2,628,414	131,286		2,759,700
 Total Capital Assets	 \$ 8,898,784	 \$ 569,282	 \$ 161,271	 \$ 9,306,795

EDMONSON 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	\$ 25,000	10-60
Buildings	\$ 75,000	10-75
Building Improvements	\$ 50,000	10-60
Machinery and Equipment	\$ 15,000	3-25
Vehicles	\$ 15,000	3-10
Infrastructure	\$ 50,000	10-50
Office Equipment	\$ 10,000	3-15
Office Furniture	\$ 1,000	3-15

Note 2. Restatement of Capital Assets Beginning Balance

	Vehicles and Equipment
Prior Year Ending Balance	\$ 2,421,296
Prior Year Vehicles and Equipment	165,100
Beginning Balance Restated	<u>\$ 2,586,396</u>

**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***

THIS PAGE LEFT BLANK INTENTIONALLY



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Wil Cannon, Edmonson County Judge/Executive
Members of the Edmonson 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 Edmonson County Fiscal Court for the fiscal year ended June 30, 2021, and the related notes to the financial statement which collectively comprise the Edmonson County Fiscal Court's financial statement and have issued our report thereon dated April 19, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Edmonson 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 Edmonson County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Edmonson 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 Responses, 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 Responses as items 2021-001 and 2021-002 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 Edmonson County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2021-001 and 2021-002.

Views of Responsible Official and Planned Corrective Action

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

Purpose of this Report

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

Respectfully submitted,

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

Mike Harmon
Auditor of Public Accounts

April 19, 2022

**EDMONSON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2021

THIS PAGE LEFT BLANK INTENTIONALLY

**EDMONSON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2021

FINANCIAL STATEMENT FINDINGS:

2021-001 The Edmonson County Fiscal Court Does Not Have Adequate Internal Controls Over Procurement

This is a repeat finding and was included in the prior year audit report as finding 2020-001. During fiscal year 2021, the Edmonson County Fiscal Court had material weaknesses over procurement. The following findings were noted regarding the Edmonson County Fiscal Court's procurement process:

- The fiscal court failed to keep documentation of state contract prices for three purchases totaling \$95,441 that were made from state contract vendors.
- The fiscal court paid for courthouse elevator repairs in the amount of \$36,900. The treasurer was instructed by an Administrative Office of the Courts facilities administrator to mark the job as an emergency repair. In lieu of utilizing competitive sealed bidding under KRS 45A.365, the county used noncompetitive negotiation under KRS 45A.380 to procure the services of the company that provided maintenance for the elevator pursuant to an elevator service agreement. In doing so, the county judge/executive failed to make the written determinations required by that statute. Moreover, contrary to KRS 45A.343(2), the contract with the elevator service company did not include disclosures by the contractor and subcontractors of violations of, and compliance with, specified statutes.
- The fiscal court orders state that all road materials bids were accepted. The ability to award multiple bids was not included in the bid solicitation.
- On November 23, 2020, the fiscal court approved to advertise for bids for a paver. At that same fiscal court meeting, the fiscal court approved for the road supervisor to travel to Florida to look at a paver. When the road supervisor returned from Florida he brought a sealed bid from the company whose paver he had examined. This sealed bid was dated December 1, 2020. However, the bid advertisement did not run in the newspaper until December 3 and 10, 2020. This advertisement was specific for a 2015 Caterpillar AP-1055F track paver, which was the same year, make, and model of paver that the road supervisor had previously traveled to Florida to inspect. On December 14, 2020, the fiscal court approved the purchase of the paver in the amount of \$148,000 from the company in Florida. However, there was no mention made of opening or accepting bids in the fiscal court orders.
- The bid accepted for asphalt had a clause for fluctuation in petroleum-based products, allowing the vendor the right to adjust the proposal price (+ or -) at the time of installation to reflect changes in petroleum-based products using the Kentucky Average Price Index (KAPI) as published by the Kentucky Transportation Cabinet. The county treasurer emails the vendor at the beginning of each month to get the new asphalt price and she verifies the increase with the KAPI. However, there was no documentation to support the verification of the KAPI or that the amount per the invoice is correct.

The county judge/executive stated that the fiscal court makes it a practice to accept all bids for road materials to allow the county to use the vendor that has the best price in relation to the location of the road project. Additionally, the county treasurer stated she was not aware that it was necessary to maintain the supporting documentation for state contract vendors.

As a result, the fiscal court was not in compliance with procurement laws or their administrative code. In addition, the fiscal court might not have received the best value for services or products provided.

EDMONSON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2021
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2021-001 The Edmonson County Fiscal Court Lacks Adequate Internal Controls Over Procurement
 (Continued)

Strong internal controls require management to monitor disbursements and purchase orders to ensure compliance with procurement laws, and to keep good records of all bids and other procurement transactions. Good internal controls would also include requiring the documentation of agreement of bid elements included on invoices, such as the KAPI amounts, to sources referenced in the original bid documents or specifications as part of state contract memorandum of agreement. KRS 178.140(1) states, “[a]ll bids for the construction or maintenance of county roads and bridges shall be received at the time and place specified in the advertisement and shall be opened publicly at the time of awarding, and the amount of items comprising each bid shall be publicly announced.” In addition, KRS 178.140(2) states, “[t]he contract shall be awarded to the lowest and best bidder, who shall furnish satisfactory security in an amount equal to the amount of the contract in question, to be approved by the county judge/executive of the county.”

KRS 45A.365(1) states, “[a]ll contracts and purchases shall be awarded by competitive seal bidding, which may include the use of a reverse auction, except as otherwise provided by KRS 45A.370 to 45A.385[.]” Additionally, KRS 45A.365(2) states, “[t]he invitation for bids shall state that the award shall be made on the basis of the lowest bid price or the lowest evaluated bid price. If the latter is used, the objective measurable criteria to be utilized shall be set forth in the invitation for bids. The invitation for bids shall include the reciprocal preference for resident bidders described in KRS 45A.494.”

KRS 45A.355(1) states, “[e]very determination required by this code shall be in writing and based upon written findings of the public official making the determination. These determinations and written findings shall be retained in the official contract file.” Additionally, KRS 45A.380 states, in pertinent part, “[a] local public agency may contract or purchase through noncompetitive negotiation only when a written determination is made that competition is not feasible and it is further determined in writing by a designee of the local public agency that:

- (1) An emergency exists which will cause public harm as a result of the delay in competitive procedures;
- (2) There is a single source within a reasonable geographical area of the product or service to be procured;
- (3) The contract is for the services of a licensed professional, such as attorney, physician, psychiatrist, psychologist, certified public accountant, registered nurse, or educational specialist; a technician such as a plumber, electrician, carpenter, or mechanic; or an artist such as a sculptor, aesthetic painter, or musician, provided, however, that this provision shall not apply to architects or engineers providing construction management services rather than professional architect or engineer services[.]”

Additionally, the Edmonson County Administrative Code Sections 420.4 regarding selection of vendors and contracts states, in part, “[s]ealed bidding procedures shall be followed under the circumstances, conditions and in the manner as set forth by KRS 45A.365.” The Edmonson County Administrative Code Section 420.7 regarding selection of vendors and contracts states, “[t]he County Judge/Executive shall submit the bid selected to the Fiscal Court for approval and thereafter shall notify in writing all bidders of the award. If the lowest bid is not selected, the reasons for the selection shall be stated in writing.”

We recommend the fiscal court implement internal controls to monitor all procurements in order to ensure that all required elements of bidding procedures are followed. The fiscal court should also ensure that bid prices and other elements included in approved bids, agree to the invoices submitted by vendors. We further recommend the fiscal court document these procedures in the fiscal court minutes and in the bid files including documenting the acceptance of the winning bid in writing in accordance with their administrative code and to be in compliance with KRS 178.140 as it relates to construction or maintenance of county roads and bridges. If the fiscal court does not accept the lowest bid for road materials, they should document the reason in the fiscal court minutes.

EDMONSON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2021
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2021-001 The Edmonson County Fiscal Court Does Not Have Adequate Internal Controls Over Procurement
 (Continued)

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response:

- *We do not agree with this violation as the state contracts were printed and provided to the Auditor upon immediate request. The State Vendor Contracts for the 3 purchases that were audited were supplied to the Auditor the day they were requested, they had not been printed due to the size of the documents. Going forward the state vendor contracts will be printed and attached to the purchase invoice.*
- *The Judge Executive office was unfortunately not aware of the requirements of the Emergency Executive Order for the elevator repair, and if this shall arise in the future we will proceed correctly.*
- *Road Material Bid will include the multiple vendor bids in the future advertisement.*
- *The Fiscal Court will make bid advertisement more open to multiple vendors in future advertisements.*
- *We do not agree with this violation due to the fact that the Treasurer follows the KAPI on a monthly basis and even communicates with asphalt company at the first of each month to guarantee the county is paying the correct amount, even having a chart hanging in her office to reflect the monthly price, this along with all the saved emails from the asphalt company, all asphalt invoices are reconciled to an extremely detailed breakdown, including the price on each rock/asphalt ticket. The Judge Executive Office feels this never should have been a violation from the Auditor's, as this step that the Treasurer does is not a requirement, this is her own procedure for her to ensure the County is charged properly. We highly disagree with this violation.*

Auditor's Reply: The issue with the state price contracts is not whether they were printed prior to audit, saved electronically prior to audit, or printed on demand during the audit, but rather that at no time was documentation as to actual pricing under the state contracts retained or provided to APA. While the treasurer stated she verified amounts to the Kentucky Average Price Index (KAPI), auditors were not provided any documentation to support that this procedure was actually performed.

2021-002 The Edmonson County Fiscal Court Failed To Accurately Record Activity Of The General Fund
 And Road Fund On The Fourth Quarter Financial Report

The Edmonson County Fiscal Court's fourth quarter financial report required audit adjustments to the general fund and road fund. Funds of \$218,537 were transferred per the road fund cost allocation worksheet from the road fund to the general fund. Instead of recording the transaction as a transfer, it was recorded as a receipt to general fund and disbursement to the road fund.

Due to the bank accounts associated with these funds, which are in different banks, the county treasurer had to write a check from one bank to another since an inter account transfer was not optional. When the transactions were entered in the accounting system, the treasurer could not determine how to record as a transfer between funds.

As a result of the activity, a transfer of \$218,537 was incorrectly posted as a disbursement of the road fund and receipt of the general fund, which overstated the total operating receipts for the general fund and total operating disbursement for the road fund.

EDMONSON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2021
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2021-002 The Edmonson County Fiscal Court Failed To Accurately Record Activity Of The General Fund
 And Road Fund On The Fourth Quarter Financial Report (Continued)

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 (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual*. Those standards require an accurate financial statement.

We recommend the fiscal court determine a way to enter transfers between different bank accounts correctly in the accounting system in order to reflect an accurate fourth quarter financial report.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: We were made aware of this issue in the FY20 audit but unfortunately did not have time to correct it due to the fact the State Auditor's were in a rush to begin work on our FY21 audit. This has been corrected for FY22.

Auditor's Reply: We disagree that APA was "in a rush to begin work," as we engaged to perform our work (January 14, 2022) more than six months after the close of the fiscal year (June 30, 2021). Delays in completing the previous audit by a private CPA retained by the fiscal court are outside of our control.

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

EDMONSON COUNTY FISCAL COURT


For The Year Ended June 30, 2021

THIS PAGE LEFT BLANK INTENTIONALLY

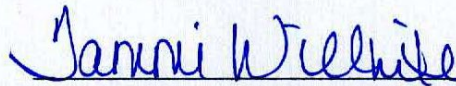
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
COUNTY FISCAL COURT

For The Year Ended June 30, 2021

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

_____

County Judge/Executive

_____

County Treasurer