

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

**For The Year Ended
June 30, 2022**



**MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS
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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

Independent Auditor's Report

To the People of Kentucky

The Honorable Andy Beshear, Governor

Holly M. Johnson, Secretary

Finance and Administration Cabinet

The Honorable Jack Whitfield, Jr., Hopkins County Judge/Executive

Members of the Hopkins County Fiscal Court

Report on the Audit of the Financial Statement

Opinions

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances – Regulatory Basis of the Hopkins County Fiscal Court, for the year ended June 30, 2022, and the related notes to the financial statement, which collectively comprise the Hopkins County Fiscal Court's financial statement as listed in the table of contents.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompany financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and changes in fund balances – regulatory basis of the Hopkins County Fiscal Court, for the year ended June 30, 2022, in accordance with accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

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 section of our report, the financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Hopkins County Fiscal Court, for the year ended June 30, 2022, or the changes in financial position and cash flows thereof for the year then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Fiscal Court Audit Guide* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of Hopkins County Fiscal Court and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
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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 Hopkins 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 and pervasive.

Responsibilities of Management for the Financial Statement

Hopkins County Fiscal Court's management is responsible for the preparation and fair presentation of the 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 Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit 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 Hopkins County Fiscal Court's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hopkins County Fiscal Court's ability to continue as a going concern for a reasonable period of time.

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Auditor's Responsibilities for the Audit of the Financial Statement (Continued)

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Supplementary Information

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

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

Other Information

Management is responsible for the other information included in this report. The other information is comprised of the schedule of capital assets but does not include the financial statement and our auditor's report thereon. Our opinions on the financial statement do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statement, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statement, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2023, on our consideration of the Hopkins 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 Hopkins County Fiscal Court's internal control over financial reporting and compliance.

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

- 2022-001 The Hopkins County Fiscal Court's Schedule Of Expenditures Of Federal Awards Was Misstated
- 2022-002 The Fourth Quarter Financial Statement Did Not Include All Amounts From The Original Budget
- 2022-003 Occupational/Net Profit Tax Receipts Were Not Processed Or Deposited Timely

Respectfully submitted,

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

Mike Harmon
Auditor of Public Accounts
Frankfort, Ky

March 28, 2023

HOPKINS COUNTY OFFICIALS**For The Year Ended June 30, 2022****Fiscal Court Members:**

Jack Whitfield, Jr.	County Judge/Executive
Ricky Whitaker	Magistrate
Bill Rudd	Magistrate
Vicki Thomison	Magistrate
Ronnie Noel	Magistrate
Billy Parrish	Magistrate
Charlie Beshears	Magistrate
Hannah Myers	Magistrate

Other Elected Officials:

Byron Hobgood	County Attorney
Mike Lewis	Jailer
Keenan Cloern	County Clerk
Tanya Bowman	Circuit Court Clerk
Matt Sanderson	Sheriff
Pam Love Barber	Property Valuation Administrator
Dennis Mayfield	Coroner

Appointed Personnel:

Tracy Browning	County Treasurer
Madonna Priest	Occupational Tax Administrator

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

For The Year Ended June 30, 2022

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

For The Year Ended June 30, 2022

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	\$ 12,490,742	\$	\$
Licenses and Permits	95,607		
Intergovernmental	3,579,082	2,324,456	3,182,163
Charges for Services	83		294,532
Miscellaneous	1,669,297	48,039	225,958
Interest	58,594	2,103	1,644
Total Receipts	<u>17,893,405</u>	<u>2,374,598</u>	<u>3,704,297</u>
DISBURSEMENTS			
General Government	5,990,583		
Protection to Persons and Property	845,228		4,091,701
General Health and Sanitation	900		
Social Services			
Recreation and Culture			
Roads		2,464,506	
Debt Service		39,325	52,875
Capital Projects	11,208	1,992,649	
Administration	10,099,095	621,225	1,120,625
Total Disbursements	<u>16,947,014</u>	<u>5,117,705</u>	<u>5,265,201</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>946,391</u>	<u>(2,743,107)</u>	<u>(1,560,904)</u>
Other Adjustments to Cash (Uses)			
General Obligation Bond Anticipation Note Proceeds	6,250,000		
Bond Discount	(249,673)		
Transfers From Other Funds		2,735,000	1,546,000
Transfers To Other Funds	(4,931,000)		
Total Other Adjustments to Cash (Uses)	<u>1,069,327</u>	<u>2,735,000</u>	<u>1,546,000</u>
Net Change in Fund Balance	2,015,718	(8,107)	(14,904)
Fund Balance - Beginning	<u>8,485,852</u>	<u>432,121</u>	<u>644,732</u>
Fund Balance - Ending	<u>\$ 10,501,570</u>	<u>\$ 424,014</u>	<u>\$ 629,828</u>
Composition of Fund Balance			
Bank Balance	\$ 10,962,081	\$ 726,717	\$ 715,033
Plus: Deposits In Transit			
Less: Outstanding Checks	<u>(460,511)</u>	<u>(302,703)</u>	<u>(85,205)</u>
Fund Balance - Ending	<u>\$ 10,501,570</u>	<u>\$ 424,014</u>	<u>\$ 629,828</u>

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

HOPKINS COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2022
(Continued)

Budgeted Funds					
Local Government Economic Assistance Fund	COVID Relief Fund	State Aid Funding For Emergencies Fund	Sports Plex Fund	Local Government Economic Development Fund	Contingency Fund
\$	\$	\$	\$	\$	\$
200					
1,559,555	4,339,866			20,000	28,819
455,280					
2,494,702		8,596,093			
5,690	26,874	16,096	484		18,308
4,515,427	4,366,740	8,612,189	484	20,000	47,127
928,354				10,000	
225,000					
1,541,333					
125,363	350,130				
345,074			425,317		
			22,018		
265,739					
327,535		58,500			
3,758,398	350,130	58,500	447,335	10,000	
757,029	4,016,610	8,553,689	(446,851)	10,000	47,127
150,000	4,341,364		500,000		500,000
				(4,341,364)	(500,000)
150,000	4,341,364		500,000	(4,341,364)	
907,029	8,357,974	8,553,689	53,149	(4,331,364)	47,127
632,135				4,341,364	3,138,299
\$ 1,539,164	\$ 8,357,974	\$ 8,553,689	\$ 53,149	\$ 10,000	\$ 3,185,426
\$ 1,591,810	\$ 8,457,974	\$ 8,612,189	\$ 253,398	\$ 10,000	\$ 3,185,426
(52,646)	(100,000)	(58,500)	(200,249)		
\$ 1,539,164	\$ 8,357,974	\$ 8,553,689	\$ 53,149	\$ 10,000	\$ 3,185,426

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

HOPKINS COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2022
(Continued)

	Unbudgeted Funds		
	Public Properties Corporation Fund	Jail Commissary Fund	Total Funds
RECEIPTS			
Taxes	\$	\$	\$ 12,490,742
Licenses and Permits			95,807
Intergovernmental	1,498,094		16,532,035
Charges for Services			749,895
Miscellaneous		349,223	13,383,312
Interest	145	2,888	132,826
Total Receipts	1,498,239	352,111	43,384,617
DISBURSEMENTS			
General Government			6,928,937
Protection to Persons and Property			5,161,929
General Health and Sanitation			1,542,233
Social Services			475,493
Recreation and Culture		292,853	1,063,244
Roads			2,464,506
Debt Service	1,497,525		1,611,743
Capital Projects			2,269,596
Administration			12,226,980
Total Disbursements	1,497,525	292,853	33,744,661
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	714	59,258	9,639,956
Other Adjustments to Cash (Uses)			
General Obligation Bond Anticipation Note Proceeds			6,250,000
Bond Discount			(249,673)
Transfers From Other Funds			9,772,364
Transfers To Other Funds			(9,772,364)
Total Other Adjustments to Cash (Uses)			6,000,327
Net Change in Fund Balance	714	59,258	15,640,283
Fund Balance - Beginning	154,329	595,147	18,423,979
Fund Balance - Ending	\$ 155,043	\$ 654,405	\$ 34,064,262
Composition of Fund Balance			
Bank Balance	\$ 155,043	\$ 707,478	\$ 35,377,149
Plus: Deposits In Transit		5,144	5,144
Less: Outstanding Checks		(58,217)	(1,318,031)
Fund Balance - Ending	\$ 155,043	\$ 654,405	\$ 34,064,262

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

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TO THE FINANCIAL STATEMENT**

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**HOPKINS COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2022

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statement of Hopkins County includes all budgeted and unbudgeted funds under the control of the Hopkins 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 for and on behalf of, and as the agency and instrumentality of 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.

HOPKINS COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(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.

COVID Relief Fund - The primary purpose of this fund is to account for federal monies received from the government following the coronavirus pandemic.

State Aid Funding For Emergencies Fund - The primary purpose of this fund is to account for monies received to support disaster and recovery relief following a tornado in the county. The primary source of receipts for this fund is the state government.

Sports Plex Fund - The primary purpose of this fund is to account for expenses related to construction of a new sports plex in the county.

Local Government Economic Development Fund - The purpose of this fund is to account for LGED grants and related disbursements.

Contingency Fund - The primary purpose of this fund is to set aside funds from general operations to act as a savings account for fiscal court and for special projects when they arise.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

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

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 according to the laws of Kentucky as required by the state local finance officer, 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.

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.

HOPKINS COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information (Continued)

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.

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

E. Hopkins County Elected Officials

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

HOPKINS COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Related Obligations and Joint Ventures

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

Planning and Zoning 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, 2022, 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 2022.

	Local Government Economic			Total
	General Fund	Development Fund	Contingency Fund	Transfers In
Road Fund	\$ 2,735,000	\$	\$	\$ 2,735,000
Jail Fund	1,546,000			1,546,000
LGEA Fund	150,000			150,000
Sports Plex Fund			500,000	500,000
Contingency Fund	500,000			500,000
COVID Relief Fund		4,341,364		4,341,364
Total Transfers Out	<u>\$ 4,931,000</u>	<u>\$ 4,341,364</u>	<u>\$ 500,000</u>	<u>\$ 9,772,364</u>

HOPKINS COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 3. Transfers (Continued)

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. 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, 2022 was \$17,257.

Note 5. Leases

1. Lessor

A. Juvenile Justice Center

On February 6, 2013, Hopkins County began leasing office space to the Department of Juvenile Justice. This lease shall be extended automatically upon the same terms and conditions herein for further periods of 12 months, not to exceed seven extension periods unless the Commonwealth shall give the lessor written notice 30 days prior to the expiration of the term or any extension that the lease will not be extended. Hopkins County recognized \$11,484 in lease revenue during the current fiscal year related to the lease, which is quarterly payments of \$2,871. As of June 30, 2022, Hopkins County's receivable for lease payments was \$22,968.

B. Hopkins County Child Support Unit

On January 21, 2016, Hopkins County began leasing office space to the Hopkins County Child Support Unit. This tenant shall have the option to renew the term of this lease for an additional term of two years. Hopkins County recognized \$13,680 in lease revenue during the current fiscal year related to the lease, which is monthly payments of \$1,140. As of June 30, 2022, Hopkins County's receivable for lease payments was \$13,680.

C. Hopkins County Public Advocacy

On July 1, 2019, Hopkins County renewed leasing office space to the Hopkins County Public Advocacy. This tenant shall have the option to renew the term of this lease for an additional three years. Hopkins County recognized \$50,088 in lease revenue during the current fiscal year related to the lease, which is quarterly payments of \$12,522. As of June 30, 2022, Hopkins County's receivable for lease payments had been satisfied.

D. Healthy Choice

On December 1, 2019, Hopkins County started leasing office space to Health Choice. This tenant shall have the option to renew the term of this lease for an additional two years. Hopkins County recognized \$7,911 in lease revenue during the current fiscal year related to the lease, which is monthly payments of \$657. As of June 30, 2022, Hopkins County's receivable for lease payments was \$11,826.

HOPKINS COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 5. Leases (Continued)

2. Lessee

Happy Lane Convenience Center

On October 25, 2021, Hopkins County entered into a five year lease agreement as lessee for the use of premises for construction and maintenance of garbage collection convenience center for the citizens of Hopkins County. The lease has an option to renew for periods of five years for a total not to exceed 20 years overall. An initial lease liability was recorded in the amount of \$231,177 during the current fiscal year, which is the monthly payment of \$3,853. As of June 30, 2022, the value of the lease had been satisfied for the current fiscal year. The lease value of the outstanding payments is \$196,500. The future principal and interest lease payments as of June 30, 2022, were as follows:

Fiscal Year Ended June 30	Amount
2023	\$ 46,235
2024	46,235
2025	46,235
2026	46,236
2027	11,559
	<u>\$ 196,500</u>

Note 6. Long-term Debt

A. Direct Borrowings and Direct Placements

1. Jail HVAC System

On November 18, 2014, the fiscal court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program as administrator and PNC Equipment Finance, LLC as lessor in the sum of \$495,000 at a 3.20 percent effective interest rate. The financing obligation was acquisition, installation, and equipping of an HVAC system. The HVAC system is being used as collateral for this agreement. In the event of default, the Kentucky Association of Counties Leasing Trust Program may terminate the lease and take possession of the project within 60 days. The maturity date of the obligation is June 20, 2025. The balance of the financing obligation at June 30, 2022, was \$166,691. Annual debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2023	\$ 57,168	\$ 4,868
2024	54,105	2,715
2025	55,418	964
	<u>\$ 166,691</u>	<u>\$ 8,547</u>
Totals		

HOPKINS COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 6. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

2. Road Department Vehicles

During fiscal year 2018, the fiscal court entered into a lease agreement with Enterprise Fleet Management in the sum of \$249,046. The financing obligation was for the acquisition of road department vehicles. The vehicles included in this agreement are the collateral. If the fiscal court fails to meet the terms of the lease Enterprise Fleet Management would take possession of the vehicles included in this agreement. The term of the lease is for 60 months. The balance of the financing obligation as of June 30, 2022, was \$6,741. Annual debt service requirements to maturity are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2023	\$ 6,741	\$ 1,345
Totals	<u>\$ 6,741</u>	<u>\$ 1,345</u>

3. Mortgage Revenue Refunding Bonds (Judicial Center Project), Series 2017

On July 27, 2017, the Hopkins County Public Properties Corporation issued \$5,928,288 of mortgage revenue refunding bonds (judicial center project), series 2017, for the purpose of (i) refunding and refinancing the outstanding Hopkins County Public Properties Corporation First Mortgage Revenue Bonds (judicial center project), series 2010, maturing on and after June 1, 2023 and (ii) paying the costs of issuance on the bonds. In event of default, (i) the lien may be enforced, (ii) the mortgage may be foreclosed, and/or (iii) the project may be operated by the purchaser or placed in receivership and/or sold at foreclosure sale.

The bonds will mature on June 1, 2027. The bonds have an interest rate of 2.25% annum and interest is payable each June 1 and December 1. As of June 30, 2022, the bonds outstanding were \$5,799,788. Future principal and interest requirements are:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2023	\$ 69,811	\$ 130,495
2024	1,385,387	128,924
2025	1,415,884	97,753
2026	1,448,804	65,896
2027	<u>1,479,902</u>	<u>33,298</u>
Totals	<u>\$ 5,799,788</u>	<u>\$ 456,366</u>

HOPKINS COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 6. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

4. Series 2022 General Obligation Bond Anticipation Notes (Tornado Damage FEMA Project)

On April 26, 2022, the fiscal court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program as administrator and US Bank National Association as trustee in the sum of \$6,250,000 at a 2.25 percent effective interest rate. The notes will be used to finance emergency costs related to maintaining the public health and safety of the citizens of the county related to tornado damage incurred within the boundaries of the county. The county covenants to levy, collect, and segregate tax to the extent general funds are insufficient to meet the annual debt service requirements of the bonds. In the event of default, the Kentucky Association of Counties Leasing Trust Program may enforce the obligations of the defaulting party under the agreement. The maturity date of the obligation is March 20, 2024. The balance of the notes at June 30, 2022, was \$6,250,000. Annual debt service requirements to maturity are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2023	\$	\$
2024	<u>6,250,000</u>	<u>93,750</u>
Totals	<u>\$ 6,250,000</u>	<u>\$ 93,750</u>

B. Other Debt

1. First Mortgage Revenue Bonds (Judicial Center Project), Series 2010

On June 1, 2010, the Hopkins County Public Properties Corporation issued \$19,410,000 of first mortgage revenue bonds (judicial center project), series 2010, for the purpose of acquiring, constructing, and equipping a new judicial center. On July 27, 2017, mortgage revenue refunding bonds, series 2017 was issued to defease a portion of the bonds. The judicial center is being used as collateral for this project. The bonds will mature on June 1, 2023. Interest is payable each June and December 1. As of June 30, 2022, bonds outstanding were \$1,260,000. Future principal and interest requirements are:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2023	<u>\$ 1,260,000</u>	<u>\$ 44,100</u>
Totals	<u>\$ 1,260,000</u>	<u>\$ 44,100</u>

HOPKINS COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 6. Long-term Debt (Continued)

C. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2022, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	\$ 6,154,033	\$ 6,250,000	\$ 180,813	\$12,223,220	\$ 133,720
Other Debt	2,475,000		1,215,000	1,260,000	1,260,000
Total Long-term Debt	<u>\$ 8,629,033</u>	<u>\$ 6,250,000</u>	<u>\$ 1,395,813</u>	<u>\$13,483,220</u>	<u>\$ 1,393,720</u>

D. Aggregate Debt Schedule

The amount of required principal and interest payments on long-term obligations at June 30, 2022, were as follows:

Fiscal Year Ended June 30	Other Debt		Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
2023	\$ 1,260,000	\$ 44,100	\$ 133,720	\$ 136,708
2024			7,689,492	225,389
2025			1,471,302	98,717
2026			1,448,804	65,896
2027			1,479,902	33,298
Totals	<u>\$ 1,260,000</u>	<u>\$ 44,100</u>	<u>\$ 12,223,220</u>	<u>\$ 560,008</u>

Note 7. Commitment Debt

A. Ambulance Service Contract

The Medical Center Ambulance Service, Inc. (MCAS) operates under a lease with Hopkins County. The term of the lease is for one year, the lease is automatically renewed on a year-to-year basis unless terminated by one of the parties. Under the terms of the lease for the first year, the county is required to furnish the necessary number of ambulances required for the operation of the ambulance service and is to reimburse MCAS for the support of the county. MCAS has agreed to provide suitable and necessary ambulance service on a 24-hour basis to the residents of Hopkins County and to other persons requiring such service while in Hopkins County. On January 1, 2012, the Hopkins County Fiscal Court entered into a lease and contract with MCAS. The county agreed to furnish to MCAS, for the sum of one dollar per year, the existing inventory of fully serviceable ambulances. The term of the lease is for a period of four years unless sooner cancelled or terminated as provided in the lease.

This lease shall be automatically extended for the like periods of one year each, unless either party gives the other party 30 days written notice prior to the expiration of the current term.

HOPKINS COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 7. Commitment Debt (Continued)

A. Ambulance Service Contract (Continued)

MCAS agreed to supply suitable and necessary ambulance service to the residents of Dawson Springs, Kentucky, at its Dawson Springs location and the remainder of Hopkins County, Kentucky through its Madisonville, Kentucky location. The county agreed to provide financial support as budgeted by the Hopkins County Fiscal Court, which budget shall be no less than current amount of \$150,000 annually, which shall be paid to MCAS in cash payments, not less frequently than three payments per year of \$50,000.

B. Hopkins County Regional Landfill

The Hopkins County Regional Landfill entered into an agreement with Hopkins County on October 31, 2011. Under the terms of the agreement, the Hopkins County Regional Landfill is to provide waste management services for the county and citizens of Hopkins County, Kentucky. The Hopkins County Regional Landfill has also agreed to pay licensing fees to the county as mandated in Ordinance 2006 – 10. As of June 30, 2022, both parties were following this agreement.

C. South Main Sewer Project – Interlocal Cooperation Agreement

On December 23, 2009, Hopkins County (county) entered in an interlocal cooperation agreement with the City of Madisonville (city) for the construction, maintenance, and operation of the South Main Sewer Project. The city has secured financing for this project from the Kentucky Infrastructure Authority in the form of an American Recovery and Reinvestment Act (ARRA) loan in the amount of \$3,800,000 bearing interest at the rate of 2 percent per annum to be repaid over a term of 20 years. The county has agreed to provide financial assistance to the city to help pay a portion of the debt service incurred by the city. The county has agreed to pay the city the sum of \$110,000 per year for period of 20 years payable in equal, semi-annual, installments of \$55,000 on or before June 1 and December 1 of each year beginning May 15, 2010.

Note 8. 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 (Ky. Ret. Sys.). 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 Pension Authority (KPPA) was created by KRS 61.505 to provide staffing and daily administrative needs for CERS and Ky. Ret. Sys. 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 2020 was \$1,734,809, FY 2021 was \$1,758,901, and FY 2022 was \$1,986,538.

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 Ky. Ret. Sys. insurance fund.

HOPKINS COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 8. 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 Ky. Ret. Sys. 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 26.95 percent.

Hazardous

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

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

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

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

The county's contribution rate for hazardous employees was 44.33 percent.

HOPKINS COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 8. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

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

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

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

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

Benefits are covered under KRS 78.5536.

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

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

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.

HOPKINS COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 8. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

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

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

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

D. Cost of Living Adjustments - Tier 1

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

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

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

F. Death Benefit

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

Annual Financial Report and Proportionate Share Audit Report

Ky. Ret. Sys. 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.

HOPKINS COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 9. Deferred Compensation

The Hopkins 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 10. Health Reimbursement Account/Flexible Spending Account

The Hopkins County Fiscal Court established a flexible spending account to provide employees an additional health benefit. The county has contracted with a third-party administrator to administer the plan. The plan provides a debit card to each eligible employee to pay for qualified medical expenses. Employees may also contribute additional pre-tax funds through payroll deduction. The balance of the plan is \$35,145.

Note 11. Insurance

For the fiscal year ended June 30, 2022, the Hopkins County Fiscal Court was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 12. Note Receivable

On January 7, 2014, the Hopkins County Fiscal Court loaned \$500,000 to the Hopkins County – Madisonville Public Library for the purpose of making improvements to real estate. Terms of the agreement stipulate a 20 year repayment schedule at 1.175 percent interest. Records indicate Hopkins County – Madisonville Public Library is in substantial compliance with this agreement. As of June 30, 2022, the principal amount owed by the library was \$325,000.

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HOPKINS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2022

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HOPKINS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2022

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 9,820,600	\$ 9,820,600	\$ 12,490,742	\$ 2,670,142
Licenses and Permits	62,000	62,000	95,607	33,607
Intergovernmental	3,426,162	3,426,162	3,579,082	152,920
Charges for Services	200	200	83	(117)
Miscellaneous	220,375	2,179,343	1,669,297	(510,046)
Interest	25,000	25,000	58,594	33,594
Total Receipts	13,554,337	15,513,305	17,893,405	2,380,100
DISBURSEMENTS				
General Government	6,322,794	6,632,799	5,990,583	642,216
Protection to Persons and Property	973,350	978,550	845,228	133,322
General Health and Sanitation	900	900	900	
Capital Projects	20,000	20,000	11,208	8,792
Administration	3,823,896	11,510,986	10,099,095	1,411,891
Total Disbursements	11,140,940	19,143,235	16,947,014	2,196,221
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	2,413,397	(3,629,930)	946,391	4,576,321
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds		6,000,327	6,000,327	
Transfers To Other Funds	(10,413,397)	(10,413,397)	(4,931,000)	5,482,397
Total Other Adjustments to Cash (Uses)	(10,413,397)	(4,413,070)	1,069,327	5,482,397
Net Change in Fund Balance	(8,000,000)	(8,043,000)	2,015,718	10,058,718
Fund Balance - Beginning	8,000,000	8,000,000	8,485,852	485,852
Fund Balance - Ending	\$ 0	\$ (43,000)	\$ 10,501,570	\$ 10,544,570

HOPKINS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2022
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 2,890,536	\$ 2,890,536	\$ 2,324,456	\$ (566,080)
Miscellaneous	900	900	48,039	47,139
Interest	2,000	2,000	2,103	103
Total Receipts	<u>2,893,436</u>	<u>2,893,436</u>	<u>2,374,598</u>	<u>(518,838)</u>
DISBURSEMENTS				
Roads	2,975,269	3,009,569	2,464,506	545,063
Debt Service	47,191	47,191	39,325	7,866
Capital Projects	2,007,000	2,007,000	1,992,649	14,351
Administration	1,153,600	1,119,300	621,225	498,075
Total Disbursements	<u>6,183,060</u>	<u>6,183,060</u>	<u>5,117,705</u>	<u>1,065,355</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(3,289,624)</u>	<u>(3,289,624)</u>	<u>(2,743,107)</u>	<u>546,517</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>2,889,624</u>	<u>2,889,624</u>	<u>2,735,000</u>	<u>(154,624)</u>
Total Other Adjustments to Cash (Uses)	<u>2,889,624</u>	<u>2,889,624</u>	<u>2,735,000</u>	<u>(154,624)</u>
Net Change in Fund Balance	(400,000)	(400,000)	(8,107)	391,893
Fund Balance - Beginning	<u>400,000</u>	<u>400,000</u>	<u>432,121</u>	<u>32,121</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 424,014</u>	<u>\$ 424,014</u>

HOPKINS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2022
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 3,149,500	\$ 3,149,500	\$ 3,182,163	\$ 32,663
Charges for Services	185,100	185,100	294,532	109,432
Miscellaneous	150,800	150,800	225,958	75,158
Interest	1,500	1,500	1,644	144
Total Receipts	<u>3,486,900</u>	<u>3,486,900</u>	<u>3,704,297</u>	<u>217,397</u>
DISBURSEMENTS				
Protection to Persons and Property	4,421,535	4,570,268	4,091,701	478,567
Debt Service	57,700	57,700	52,875	4,825
Administration	<u>1,573,700</u>	<u>1,424,967</u>	<u>1,120,625</u>	<u>304,342</u>
Total Disbursements	<u>6,052,935</u>	<u>6,052,935</u>	<u>5,265,201</u>	<u>787,734</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(2,566,035)</u>	<u>(2,566,035)</u>	<u>(1,560,904)</u>	<u>1,005,131</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>1,966,035</u>	<u>1,966,035</u>	<u>1,546,000</u>	<u>(420,035)</u>
Total Other Adjustments to Cash (Uses)	<u>1,966,035</u>	<u>1,966,035</u>	<u>1,546,000</u>	<u>(420,035)</u>
Net Change in Fund Balance	(600,000)	(600,000)	(14,904)	585,096
Fund Balance - Beginning	<u>600,000</u>	<u>600,000</u>	<u>644,732</u>	<u>44,732</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 629,828</u>	<u>\$ 629,828</u>

HOPKINS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2022
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Licenses and Permits	\$ 5,000	\$ 5,000	\$ 200	\$ (4,800)
Intergovernmental	2,202,148	2,202,148	1,559,555	(642,593)
Charges for Services	388,000	388,000	455,280	67,280
Miscellaneous	59,200	360,849	2,494,702	2,133,853
Interest	700	700	5,690	4,990
Total Receipts	2,655,048	2,956,697	4,515,427	1,558,730
DISBURSEMENTS				
General Government	2,189,663	2,189,663	928,354	1,261,309
Protection to Persons and Property	225,000	225,000	225,000	
General Health and Sanitation	1,967,787	2,167,787	1,541,333	626,454
Social Services	159,000	159,000	125,363	33,637
Recreation and Culture	382,636	382,636	345,074	37,562
Capital Projects	1,700,000	1,700,000	265,739	1,434,261
Administration	783,700	885,349	327,535	557,814
Total Disbursements	7,407,786	7,709,435	3,758,398	3,951,037
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(4,752,738)	(4,752,738)	757,029	5,509,767
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	4,152,738	4,152,738	150,000	(4,002,738)
Total Other Adjustments to Cash (Uses)	4,152,738	4,152,738	150,000	(4,002,738)
Net Change in Fund Balance	(600,000)	(600,000)	907,029	1,507,029
Fund Balance - Beginning	600,000	600,000	632,135	32,135
Fund Balance - Ending	\$ 0	\$ 0	\$ 1,539,164	\$ 1,539,164

HOPKINS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2022
(Continued)

COVID RELIEF FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 4,400,000	\$ 4,400,000	\$ 4,339,866	\$ (60,134)
Interest			26,874	26,874
Total Receipts	4,400,000	4,400,000	4,366,740	(33,260)
DISBURSEMENTS				
Social Services	8,700,000	8,700,000	350,130	8,349,870
Total Disbursements	8,700,000	8,700,000	350,130	8,349,870
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(4,300,000)	(4,300,000)	4,016,610	8,316,610
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	4,300,000	4,300,000	4,341,364	41,364
Total Other Adjustments to Cash (Uses)	4,300,000	4,300,000	4,341,364	41,364
Net Change in Fund Balance			8,357,974	8,357,974
Fund Balance - Ending	\$ 0	\$ 0	\$ 8,357,974	\$ 8,357,974

HOPKINS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2022
(Continued)

STATE AID FUNDING FOR EMERGENCIES FUND			
Budgeted Amounts		Actual	Variance with
Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS			
Miscellaneous	\$ 8,537,593	\$ 8,596,093	\$ 58,500
Interest		16,096	16,096
Total Receipts	8,537,593	8,612,189	74,596
DISBURSEMENTS			
Administration	8,537,593	58,500	8,479,093
Total Disbursements	8,537,593	58,500	8,479,093
Net Change in Fund Balance		8,553,689	8,553,689
Fund Balance - Ending	\$ 0	\$ 8,553,689	\$ 8,553,689

HOPKINS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2022
(Continued)

SPORTS PLEX FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 3,000,000	\$ 3,000,000	\$	\$ (3,000,000)
Interest			484	484
Total Receipts	3,000,000	3,000,000	484	(2,999,516)
DISBURSEMENTS				
Recreation and Culture	8,305,000	8,305,000	425,317	7,879,683
Debt Service	400,000	400,000	22,018	377,982
Administration	200,000	200,000		200,000
Total Disbursements	8,905,000	8,905,000	447,335	8,457,665
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(5,905,000)	(5,905,000)	(446,851)	5,458,149
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds	5,000,000	5,000,000		(5,000,000)
Transfers From Other Funds	905,000	905,000	500,000	(405,000)
Total Other Adjustments to Cash (Uses)	5,905,000	5,905,000	500,000	(5,405,000)
Net Change in Fund Balance			53,149	53,149
Fund Balance - Ending	\$ 0	\$ 0	\$ 53,149	\$ 53,149

HOPKINS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2022
(Continued)

LOCAL GOVERNMENT ECONOMIC DEVELOPMENT FUND

	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
RECEIPTS				
Intergovernmental	\$ 1,000,000	\$ 1,200,000	\$ 20,000	\$ (1,180,000)
Total Receipts	1,000,000	1,200,000	20,000	(1,180,000)
DISBURSEMENTS				
General Government	1,000,000	1,200,000	10,000	1,190,000
Total Disbursements	1,000,000	1,200,000	10,000	1,190,000
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			10,000	10,000
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	(4,300,000)	(4,300,000)	(4,341,364)	(41,364)
Total Other Adjustments to Cash (Uses)	(4,300,000)	(4,300,000)	(4,341,364)	(41,364)
Net Change in Fund Balance	(4,300,000)	(4,300,000)	(4,331,364)	(31,364)
Fund Balance - Beginning	4,300,000	4,300,000	4,341,364	41,364
Fund Balance - Ending	\$ 0	\$ 0	\$ 10,000	\$ 10,000

HOPKINS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2022
(Continued)

	CONTINGENCY FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 28,800	\$ 28,800	\$ 28,819	\$ 19
Interest	10,000	10,000	18,308	8,308
Total Receipts	38,800	38,800	47,127	8,327
DISBURSEMENTS				
Administration	3,675,800	3,675,800		3,675,800
Total Disbursements	3,675,800	3,675,800		3,675,800
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(3,637,000)	(3,637,000)	47,127	3,684,127
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds				
Transfers From Other Funds	500,000	500,000	500,000	
Transfers To Other Funds			(500,000)	(500,000)
Total Other Adjustments to Cash (Uses)	500,000	500,000		(500,000)
Net Change in Fund Balance	(3,137,000)	(3,137,000)	47,127	3,184,127
Fund Balance - Beginning	3,137,000	3,137,000	3,138,299	1,299
Fund Balance - Ending	\$ 0	\$ 0	\$ 3,185,426	\$ 3,185,426

**HOPKINS COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES**

June 30, 2022

Note 1. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting according to the laws of Kentucky as required by the state local finance officer, 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.

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.

HOPKINS COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2022

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HOPKINS COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2022

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>Direct Program:</i>				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	\$	\$ 350,131
Total U.S. Department of Treasury				350,131
<u>Delta Regional Authority</u>				
<i>Direct Program:</i>				
States' Economic Development Assistance Program	90.204	N/A	\$	\$ 137,694
Total Delta Regional Authority				137,694
<u>U. S. Department of Homeland Security</u>				
<i>Passed-Through Kentucky Department of Emergency Management:</i>				
Emergency Management Performance Grant	97.042	2200000589	\$	\$ 31,797
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	N/A		\$ 7,541,144
Total U.S. Department of Department of Homeland Security				7,572,941
<u>U. S. Department of Housing and Urban Development</u>				
<i>Pass Through Kentucky Department for Local Government:</i>				
Community Development Block Grants /State's Program	14.228	2200000564	\$	\$ 20,000
Total U.S. Department of Housing and Urban Development				20,000
Total Expenditures of Federal Awards			\$ 0	\$ 8,080,765

The accompanying notes are an integral part of this schedule

HOPKINS COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2022

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Hopkins County, Kentucky under programs of the federal government for the year ended June 30, 2022. 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 Hopkins County, Kentucky, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Hopkins 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

Hopkins 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.

HOPKINS COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2022

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HOPKINS COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2022

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance (*Restated)	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 1,999,182	\$ 1,379,870	\$	\$ 3,379,052
Construction In Progress	1,479,041	325,317	1,353,376	450,982
Buildings and Building Improvements	37,809,555		96,897	37,712,658
Machinery and Equipment*	6,763,784	459,095	117,906	7,104,973
Vehicles*	3,548,542	328,974	69,119	3,808,397
Jail Commissary*	476,747	94,158		570,905
Infrastructure	16,558,216	962,290		17,520,506
 Total Capital Assets	 <u>\$ 68,635,067</u>	 <u>\$ 3,549,704</u>	 <u>\$ 1,637,298</u>	 <u>\$ 70,547,473</u>

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

June 30, 2022

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	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Furniture and Fixtures	\$ 20,000	5-25
Machinery and Equipment	\$ 20,000	5-25
Vehicles	\$ 20,000	3
Infrastructure	\$ 20,000	10-50

Note 2. Beginning Balance Restated

	Balance Per Prior Year Report	Variances	Beginning Balance (Restated)
Land and Land Improvements	\$ 1,999,182	\$	\$ 1,999,182
Construction In Progress	1,479,041		1,479,041
Buildings and Building Improvements	37,809,555		37,809,555
Machinery and Equipment	6,132,625	631,159	6,763,784
Vehicles	3,345,800	202,742	3,548,542
Jail Commissary	476,746	1	476,747
Infrastructure	16,558,216		16,558,216
Total	\$ 67,801,165	\$ 833,902	\$ 68,635,067

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

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

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

The Honorable Jack Whitfield, Jr., Hopkins County Judge/Executive
Members of the Hopkins County Fiscal Court

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 Hopkins County Fiscal Court for the fiscal year ended June 30, 2022, and the related notes to the financial statement which collectively comprise the Hopkins County Fiscal Court's financial statement and have issued our report thereon dated March 28, 2023.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2022-001 and 2022-002 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)

Internal Control Over Financial Reporting (Continued)

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2022-003 to be a significant deficiency.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Hopkins County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2022-001 and 2022-002.

Views of Responsible Official and Planned Corrective Action

Hopkins County's views and planned corrective action for the findings identified in our audit are included in the accompanying Schedule of Findings and Questioned Costs. 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 Harmon", with a long horizontal line extending to the right.

Mike Harmon
Auditor of Public Accounts
Frankfort, Ky

March 28, 2023

**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

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

The Honorable Jack Whitfield, Jr., Hopkins County Judge/Executive
Members of the Hopkins County Fiscal Court

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Hopkins County Fiscal Court's compliance with the types of compliance requirements identified as subject to audit in the *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Hopkins County Fiscal Court's major federal programs for the year ended June 30, 2022. The Hopkins 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.

In our opinion, Hopkins County Fiscal Court complied, in all material respects, with the 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Hopkins County Fiscal Court and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Hopkins County Fiscal Court's compliance with the compliance requirements referred to above.



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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Hopkins County Fiscal Court's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Hopkins County Fiscal Court's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Hopkins County Fiscal Court's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Hopkins County Fiscal Court's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Hopkins County Fiscal Court's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Hopkins County Fiscal Court's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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.

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

Report on Internal Control over Compliance (Continued)

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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,

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Mike Harmon
Auditor of Public Accounts
Frankfort, Ky

March 28, 2023

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HOPKINS COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended June 30, 2022

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HOPKINS COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended June 30, 2022

Section I: Summary of Auditor's Results

Financial Statement

Type of report the auditor issued on whether the financial statement audited was 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 checked="" type="checkbox"/> Yes	<input 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: Unmodified		
Are any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Identification of major programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)

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

HOPKINS COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2022
(Continued)

Section II: Financial Statement Findings

2022-001 The Hopkins County Fiscal Court's Schedule Of Expenditures Of Federal Awards Was Misstated

This is a repeat finding and was included in the prior year audit report as finding 2021-001. The Hopkins County Fiscal Court's original schedule of expenditures of federal awards was misstated by \$7,196,605, requiring adjustments to the county's federal awards schedule. The total adjustments are made up of the following errors made on the following programs:

- Assistance Listing Number 21.027 – \$31,035 was included on the schedule of expenditures of federal awards that were not expensed in fiscal year 2022.
- Assistance Listing Number 97.036 – \$7,165,570 was included on the schedule of expenditures of federal awards that were not expensed in fiscal year 2022.

According to the county treasurer, an estimated project to be completed from the Coronavirus State and Local Fiscal Recovery Fund was included in the federal expenditures for the fiscal year. Also, county personnel believe that all the expenditures that were under state contract for debris removal were included as federal expenditures under Assistance Listing Number 97.036. Lastly, the third-party grant administrator believed that total SEFA federal expenditures under Assistance Listing Number- 97.036 included all estimated project totals that have not been completed and paid to the vendor. As a result of the errors made and lack of effective operating controls, the original schedule of federal expenditures was overstated. 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 Hopkins County Fiscal Court implement or strengthen controls over federal award expenditures reporting to ensure amounts reported represent true federal expenditures during the year.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: FEMA projects were estimated as they had not been completed yet. Once the projects were balanced they had different totals.

2022-002 The Fourth Quarter Financial Statement Did Not Include All Amounts From The Original Budget

This is a repeat finding and was included in the prior year audit report as finding 2021-003. The Hopkins County Fiscal Court's fourth quarter financial statement as of June 30, 2022, did not include all amounts from the original budget approved by the fiscal court. While performing audit procedures it was noted that the original budget for the sports plex fund showed \$8,000,000 and the local government economic development (LGED) fund showed \$1,000,000 that had not been included on the fourth quarter report.

According to the county treasurer, the county had planned to obtain a loan for the sports plex fund, which is reflected on the original budget, but did not actually acquire a loan. Also, the housing grant was originally budgeted in the LGED Fund, but the county did not receive these funds due to COVID. Due to this oversight the county's fourth quarter financial report did not include all amounts from the approved original budget for the 2022 fiscal year.

HOPKINS COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2022
(Continued)

Section II: Financial Statement Findings (Continued)

2022-002 The Fourth Quarter Financial Statement Did Not Include All Amounts From The Original Budget
 (Continued)

Strong internal controls dictate that all approved budget amendments should be reported on the fourth quarter financial statement. Also, per the Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual*, "[a]ll reports should be tested for accuracy before electronic submission to the State Local Finance Officer."

We recommend the fiscal court strengthen internal controls over financial reporting to ensure that all amounts approved by fiscal court are accurately reported on the fourth quarter financial report.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: It was projected that we would be making draws from our loan but we didn't so it wasn't reported on the 4th quarter financial.

2022-003 Occupational/Net Profit Tax Receipts Were Not Processed Or Deposited Timely

This is a repeat finding and was included in the prior year audit report as finding 2021-005. Occupational/net profit tax receipts were not always processed and deposited timely. There appeared to be delays of up to four or five weeks between the dates occupational/net profit taxes were received and when they were processed and deposited. \$663,891 of the \$833,932 of occupational tax receipts tested were not processed or deposited timely. Additionally, two returns could not be located, and one business had failed to file their quarterly occupational tax returns for the December 31, 2021 and the March 31, 2022 quarters. Furthermore, two businesses failed to file their net profit return or an application for an extension.

According to county personnel, there was turnover in the position of the occupational tax administrator. The incoming tax administrator didn't fully understand the accounting software, more specifically the dates that were entered into the program for processing occupational tax receipts. Also, given the magnitude of the occupational/net profit tax receipts of Hopkins County, the tax administrator has trouble keeping up with the number of individual receipts. Because of the reasons stated above, occupational/net profit tax receipts were not always processed and deposited in a timely manner, leaving receipts vulnerable to misappropriation or loss, as well as the county not receiving all occupational/net profit tax receipts the fiscal court is entitled to receive.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual* requires deposits be made intact daily into a federally insured banking institution. Additionally, good internal controls dictate that the occupational tax administrator should follow-up with businesses that are delinquent in filing their monthly or quarterly occupational tax returns, as well as their net profit returns.

We recommend the county treasurer and occupational tax administrator work together to develop a new system of handling occupational/net profit tax receipts that will help ensure such receipts are deposited in a timely manner and all business are filing their monthly or quarterly occupational tax returns, and if applicable, their net profit returns.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: We were having staff change and understaffed. We are fully staffed now and making deposits in a timely fashion.

HOPKINS COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2022
(Continued)

Section III: Federal Award Findings And Questioned Costs

None.

Section IV: Summary Schedule of Prior Audit Findings

Finding Number	Prior Year Finding Title	Status	Corrective Action
2021-001	The Schedule of Federal Expenditures Was Overstated	Unresolved	HCFC will not report on the incorrect FY.
2021-002	Material Weaknesses Exist Over The Reporting Of Liabilities And Debt	Resolved	Treasurer not has supporting documentation.
2021-003	The Fourth Quarter Financial Statement Did Not Include All Approved Budget Amendments	Unresolved	Treasurer is including budget amendments in financial statement.
2021-004	The Hopkins County Fiscal Court Did Not Maintain Proper Accounting Records For The Public Properties Corporation	Resolved	Treasurer is now aware the report is required.
2021-005	Occupational Tax Receipts Were Not Processed Or Deposited Timely	Unresolved	HCFC was shortstaffed. We have hired a new employee.

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

HOPKINS COUNTY FISCAL COURT

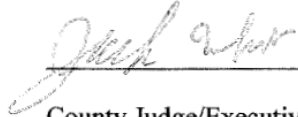
For The Year Ended June 30, 2022

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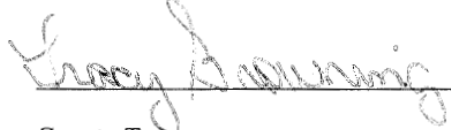
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
COUNTY FISCAL COURT

For The Year Ended June 30, 2022

The Hopkins 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