

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

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



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

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

CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT	1
JOHNSON COUNTY OFFICIALS	5
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - REGULATORY BASIS.....	8
NOTES TO FINANCIAL STATEMENT.....	12
BUDGETARY COMPARISON SCHEDULES.....	27
NOTES TO REGULATORY SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULES	39
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	43
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	44
SCHEDULE OF CAPITAL ASSETS.....	47
NOTES TO OTHER INFORMATION - REGULATORY BASIS SCHEDULE OF CAPITAL ASSETS.....	48
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	51
REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE	55
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	61
APPENDIX A:	
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	

THIS PAGE LEFT BLANK INTENTIONALLY



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 Mark McKenzie, Johnson County Judge/Executive

Members of the Johnson 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 Johnson County Fiscal Court, for the year ended June 30, 2022, and the related notes to the financial statement, which collectively comprise the Johnson 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 Johnson 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 Johnson 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 Johnson 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
 The Honorable Mark McKenzie, Johnson County Judge/Executive
 Members of the Johnson County Fiscal Court

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

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

Johnson 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 Johnson 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 Johnson County Fiscal Court's ability to continue as a going concern for a reasonable period of time.

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

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 Johnson 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

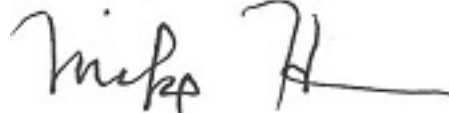
Management is responsible for the other information included in this report. The other information is comprised of the schedule of capital assets but does not include the financial statement and our auditor's report thereon. Our opinions on the financial statement do not cover the other information, 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.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2023, on our consideration of the Johnson 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 Johnson County Fiscal Court's internal control over financial reporting and compliance.

Respectfully submitted,

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

Mike Harmon
Auditor of Public Accounts
Frankfort, Ky

February 9, 2023

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

Mark McKenzie	County Judge/Executive
Tim Salyer	Commissioner
Kathy Adams	Commissioner
Mike Jarrell	Commissioner

Other Elected Officials:

Michael Endicott	County Attorney
Steve Rose	Jailer
Sallee A. Holbrook	County Clerk
Penny Adams	Circuit Court Clerk
Doug Saylor	Sheriff
Michael Stafford	Property Valuation Administrator
J.R. Frisby	Coroner

Appointed Personnel:

Betty Picklesimer	County Treasurer
Linda Sumpter	Finance Officer
Edadeane Bussey	Occupational Tax Collector
Carla Burke	Administrative Assistant
Regina McClure	Community Development Coordinator
Judy Daniel	Solid Waste Coordinator, Flood Plain Coordinator, & Economic Development Director

THIS PAGE LEFT BLANK INTENTIONALLY

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

For The Year Ended June 30, 2022

JOHNSON 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	Local Government Economic Assistance Fund
RECEIPTS				
Taxes	\$ 2,698,164	\$	\$	\$
In Lieu Tax Payments	237			
Excess Fees	45,747			
Intergovernmental	4,566,044	5,418,466	120,299	316,011
Charges for Services	4,810			
Miscellaneous	158,486	238,119		
Interest	14,803	6,303	449	1,799
Total Receipts	<u>7,488,291</u>	<u>5,662,888</u>	<u>120,748</u>	<u>317,810</u>
DISBURSEMENTS				
Current:				
General Government	2,433,671			110,327
Protection to Persons and Property	189,374		775,539	
General Health and Sanitation	60,370			16,613
Social Services	2,519			57,665
Recreation and Culture	30,005			
Roads		6,173,823		
Other Transportation Facilities and Services		9,115		
Debt Service	392,984	3,923,968		
Capital Projects	233,486			
Administration	1,442,485	297,840	13,639	24,907
Total Disbursements	<u>4,784,894</u>	<u>10,404,746</u>	<u>789,178</u>	<u>209,512</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>2,703,397</u>	<u>(4,741,858)</u>	<u>(668,430)</u>	<u>108,298</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds		3,777,405		
Transfers From Other Funds	1,928,595		640,000	
Transfers To Other Funds	(2,958,124)			
Total Other Adjustments to Cash (Uses)	<u>(1,029,529)</u>	<u>3,777,405</u>	<u>640,000</u>	
Net Change in Fund Balance	1,673,868	(964,453)	(28,430)	108,298
Fund Balance - Beginning	<u>2,667,302</u>	<u>1,038,416</u>	<u>80,582</u>	<u>312,399</u>
Fund Balance - Ending	<u>\$ 4,341,170</u>	<u>\$ 73,963</u>	<u>\$ 52,152</u>	<u>\$ 420,697</u>
Composition of Fund Balance				
Bank Balance	\$ 4,360,578	\$ 249,215	\$ 52,152	\$ 420,697
Less: Outstanding Checks	(19,408)	(175,252)		
Fund Balance - Ending	<u>\$ 4,341,170</u>	<u>\$ 73,963</u>	<u>\$ 52,152</u>	<u>\$ 420,697</u>

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

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

Budgeted Funds					
Public Properties Courthouse Corporation Bond Bond Sinking Fund	Industrial Development Authority #1 Fund	Industrial Development Authority #2 Fund	Federal Grants - MCCC Fund	Federal Grants - FG/WR Fund	Johnson County Employee FSA and HRA Insurance Fund
\$	\$	\$	\$	\$	\$
			314,250		
	275,000				
378		65			
378	275,000	65	314,250		
	22,863				
				141	
			314,250		
					11,225
	22,863		314,250	141	11,225
378	252,137	65		(141)	(11,225)
	8,500				15,000
	8,500				15,000
378	260,637	65		(141)	3,775
78,696	44,300	13,525	44,408	32,251	6,716
\$ 79,074	\$ 304,937	\$ 13,590	\$ 44,408	\$ 32,110	\$ 10,491
\$ 79,074	\$ 304,937	\$ 13,590	\$ 44,408	\$ 32,110	\$ 10,491
\$ 79,074	\$ 304,937	\$ 13,590	\$ 44,408	\$ 32,110	\$ 10,491

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

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

	<u>Budgeted Funds</u>		<u>Unbudgeted Fund</u>	
	<u>American Rescue Plan Act Fund</u>	<u>Corps of Engineers Federal Flood Control Fund</u>	<u>Justice Center Corporation Fund</u>	<u>Total Funds</u>
RECEIPTS				
Taxes	\$	\$	\$	\$ 2,698,164
In Lieu Tax Payments				237
Excess Fees				45,747
Intergovernmental			679,922	11,414,992
Charges for Services				4,810
Miscellaneous	10	186,913		858,528
Interest	822		195	24,814
Total Receipts	832	186,913	680,117	15,047,292
DISBURSEMENTS				
Current:				
General Government	88,416			2,655,277
Protection to Persons and Property				964,913
General Health and Sanitation	41,073	208,183		326,380
Social Services	4,995			379,429
Recreation and Culture				30,005
Roads				6,173,823
Other Transportation Facilities and Services	20,000			29,115
Debt Service		207,201	682,516	5,206,669
Capital Projects	10,614			244,100
Administration	61,823			1,851,919
Total Disbursements	226,921	415,384	682,516	17,861,630
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(226,089)	(228,471)	(2,399)	(2,814,338)
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds		206,115		3,983,520
Transfers From Other Funds	2,154,880	139,744		4,886,719
Transfers To Other Funds	(1,928,595)			(4,886,719)
Total Other Adjustments to Cash (Uses)	226,285	345,859		3,983,520
Net Change in Fund Balance	196	117,388	(2,399)	1,169,182
Fund Balance - Beginning			389,253	4,707,848
Fund Balance - Ending	\$ 196	\$ 117,388	\$ 386,854	\$ 5,877,030
Composition of Fund Balance				
Bank Balance	196	\$ 117,388	\$ 386,854	\$ 6,071,690
Less: Outstanding Checks				(194,660)
Fund Balance - Ending	\$ 196	\$ 117,388	\$ 386,854	\$ 5,877,030

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

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENT**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	12
NOTE 2.	DEPOSITS	15
NOTE 3.	TRANSFERS.....	16
NOTE 4.	LEASES	16
NOTE 5.	SHORT-TERM DEBT	18
NOTE 6.	LONG-TERM DEBT	19
NOTE 7.	EMPLOYEE RETIREMENT SYSTEM	21
NOTE 8.	DEFERRED COMPENSATION.....	23
NOTE 9.	HEALTH REIMBURSEMENT ACCOUNT/FLEXIBLE SPENDING ACCOUNT	24
NOTE 10.	INSURANCE.....	24
NOTE 11.	SUBSEQUENT EVENTS	24
NOTE 12.	JUSTICE CENTER CORPORATION FUND’S CASH IN BANK.....	24

**JOHNSON COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2022

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

JOHNSON 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)

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

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

Public Properties Courthouse Corporation Bond Sinking Fund - The primary purpose of this fund is debt reduction on the courthouse corporation bond issue.

Industrial Development Authority # 1 Fund - The primary purpose of this fund is restricted to the recruitment of new companies and jobs to the county.

Industrial Development Authority #2 Fund - The primary purpose of this fund is restricted to the recruitment of new companies and jobs to the county.

Federal Grants - MCCC Fund - The primary purpose of this fund is to serve as a pass through fund for federal grants received and passed through to Mountain Comprehensive Care.

Federal Grants - FG/WR Fund - The primary purpose of this fund is to serve as a pass through fund for federal grants received and passed through to WR Castle Fire Department. Also, this fund will account for federal fund received to purchase land through an acquisition project for flooded victims at Flat Gap.

Johnson County Employee FSA and HRA Insurance Fund - The primary purpose of this fund is to provide the county's portion for employee's FSA and HRA accounts.

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

Corps of Engineers Federal Flood Control Fund - The primary sources of receipts for this fund are grants from the Corps of Engineers for Flood Control.

Unbudgeted Fund

Justice Center Corporation Fund - The primary purpose of this fund is to account for the activities of the justice center corporation. The justice center corporation issued debt to build facilities and additions of the justice center. The justice center corporation entered into a contract, lease, and option with the county and the Administrative Office of the Courts.

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

Note 1. Summary of Significant Accounting Policies (Continued)

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.

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 justice center corporation fund to be budgeted; however, the fiscal court has elected to budget this fund. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually.

E. Johnson County Elected Officials

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

G. Long-term Obligations

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

H. Related Obligations and Joint Ventures

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

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 Big Sandy Regional Jail is considered a joint venture of the Johnson County Fiscal Court, Lawrence County Fiscal Court, Magoffin County Fiscal Court, and Martin County Fiscal Court.

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.

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

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2022.

	General Fund	American Rescue Plan Act Fund	Total Transfers In
General Fund	\$	\$ 1,928,595	\$ 1,928,595
Jail Fund	640,000		640,000
Industrial Development Authority #1 Fund	8,500		8,500
Johnson County Employee FSA and HRA Insurance Fund	15,000		15,000
American Rescue Plan Act Fund	2,154,880		2,154,880
Corps of Engineers Federal Flood Control Fund	139,744		139,744
Total Transfers Out	<u>\$ 2,958,124</u>	<u>\$ 1,928,595</u>	<u>\$ 4,886,719</u>

Reason for transfers:

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

Note 4. Leases

A. Lessor

1. On May 1, 2006, the fiscal court began leasing a portion of the second and third floors of the Johnson County Courthouse Building to Big Sandy Area Community Action Program, Inc. The lease is for 20 years and the fiscal court will receive monthly payments of \$1,600. The fiscal court recognized \$19,200 in lease revenue during the current fiscal year related to this lease. As of June 30, 2022, the fiscal court's receivable for lease payments was \$73,600.
2. On April 11, 2016, the fiscal court began leasing surplus property at 338 Second Street to Mountain Comprehensive Care Center. The fiscal court receives monthly payments of \$1,300. As of June 30, 2022, the fiscal court recognized \$15,600 in lease revenues related to this lease.
3. On January 1, 2022, the fiscal court began leasing office space in the Johnson County Courthouse Building to Integrated Right of Way. The lease is for one year and the fiscal court will receive monthly payments of \$600. The fiscal court recognized \$3,600 in lease revenue during the current fiscal year related to this lease. As of June 30, 2022, the fiscal court's receivable for lease payments was \$18,000.

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

Note 4. Leases (Continued)

B. Lessee

1. During the current fiscal year, the Johnson County Fiscal Court entered into a five-year lease agreement as lessee for the use of office equipment. An initial lease liability was recorded in the amount of \$5,852 during the current fiscal year. As of June 30, 2022, the value of the lease liability was \$5,267. The Johnson County Fiscal Court is required to make monthly payments of \$98.

Fiscal Year Ended June 30	Amount
2023	\$ 1,176
2024	1,176
2025	1,176
2026	1,176
2027	563
Total Minimum Lease payments	<u>\$ 5,267</u>

2. During the fiscal year ending June 30, 2019, the Johnson County Fiscal Court entered into a five-year lease agreement as lessee for the use of office equipment. An initial lease liability was recorded in the amount of \$7,102 during the current fiscal year. As of June 30, 2022, the value of the lease liability was \$2,604. The Johnson County Fiscal Court is required to make monthly payments of \$118.

Fiscal Year Ended June 30	Amount
2023	\$ 1,416
2024	1,188
Total Minimum Lease payments	<u>\$ 2,604</u>

3. During the fiscal year ending June 30, 2021, the Johnson County Fiscal Court entered into a five-year lease agreement as lessee for the use of a postage meter. An initial lease liability was recorded in the amount of \$6,100 during the current fiscal year. As of June 30, 2022, the value of the lease liability was 4,880. The Johnson County Fiscal Court is required to make quarterly payments of \$305.

Fiscal Year Ended June 30	Amount
2023	\$ 1,220
2024	1,220
2025	1,220
2026	1,220
Total Minimum Lease payments	<u>\$ 4,880</u>

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

Note 4. Leases (Continued)

B. Lessee (Continued)

4. During the fiscal year ending June 30, 2021, the Johnson County Fiscal Court entered into a five-year lease agreement as lessee for the use of two 2022 Ford F-250 trucks. An initial lease liability was recorded in the amount of \$33,270 for each truck during the current fiscal year. As of June 30, 2022, the value of the lease liability was \$26,792. The Johnson County Fiscal Court is required to make monthly principal payments of \$540 for each truck.

Fiscal Year Ended June 30	Amount
2023	\$ 6,480
2024	6,480
2025	6,480
2026	<u>7,352</u>
Total Minimum Lease payments	<u>\$ 26,792</u>

5. During the fiscal year ending June 30, 2021, the Johnson County Fiscal Court entered into a five-year lease agreement as lessee for the use of four 2022 Ford F-350 trucks. An initial lease liability was recorded in the amount of \$36,867 for each truck during the current fiscal year. As of June 30, 2020, the value of the lease liability was \$29,247. The Johnson County Fiscal Court is required to make monthly principal payments of \$635 for each truck.

Fiscal Year Ended June 30	Amount
2023	\$ 7,620
2024	7,620
2025	7,620
2026	<u>6,387</u>
Total Minimum Lease payments	<u>\$ 29,247</u>

Note 5. Short-Term Debt

A. Lines of Credit

1. In fiscal year 2022, the Johnson County Fiscal Court entered into a revolving line of credit agreement in the amount of \$3,000,000. During the fiscal year, they received \$3,631,983. The road fund paid a principal balance of \$3,238,999 and the general fund paid a principal payment of \$392,984. The purpose of this line of credit was to provide funding for ice storms and flood damages to be subsequently reimbursed by the Federal Emergency Management Agency (FEMA). The financial reimbursements received by the Johnson County Fiscal Court from FEMA were used to pay off the line of credit. The operating line of credit by City National Bank was for one year and the interest rate for this period of time was 2.31 percent. The line of credit was renewable on an annual basis. As of June 30, 2022, this line of credit was paid off and closed with no outstanding principal.

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

Note 5. Short-term Debt (Continued)

A. Lines of Credit (Continued)

2. In fiscal year 2022, the Johnson County Fiscal Court entered into a line of credit agreement in the amount of \$3,000,000. During the fiscal year, they received \$206,115. The Corps of Engineers fund made a principal payment of \$206,115. The purpose of this line of credit was to provide funding for flood mitigation projects to be subsequently reimbursed by Corps of Engineers. The financial reimbursements received by the Johnson County Fiscal Court from the Corps of Engineers were used to pay off the line of credit. The operating line of credit by City National Bank was for one year and the interest rate for this period of time was 2.34 percent. The line of credit was renewable on an annual basis. As of June 30, 2022, this line of credit was paid off and closed with no outstanding principal.

B. Changes in Short-term Debt

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Lines of Credit - FEMA	\$	\$ 3,631,983	\$ 3,631,983	\$	\$
Line of Credit - Flood Control		206,115	206,115		
Total Short-term Debt	\$ 0	\$ 3,838,098	\$ 3,838,098	\$ 0	\$ 0

Note 6. Long-term Debt

A. Direct Borrowings and Direct Placements

1. Financing Obligation-Road Department 2022 Trucks

On July 21, 2020, the fiscal court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program in the amount of \$145,422 for the acquisition of a 2022 truck. The term of the agreement was for an 18 month period, at an interest rate of 2.52%. The agreement began on July 21, 2020 and ended on January 20, 2022. In the event of default, the lessor may terminate the lease and give notice to surrender the equipment within 60 days, recover the lease payments which would have otherwise been payable during the lease period, or sell/sublease the equipment for the account of the lessee yet holding the lessee liable for all lease payments that would be due under the lease for which any proceeds of the sale/lease of the equipment does not provide. This lease was paid in full on June 8, 2021. As of June 30, 2022, the principal balance was \$0.

2. Financing Obligation-Flood Damage Repairs

On April 13, 2021, the fiscal court entered into a lease agreement with Kentucky Association of Counties in the amount of \$500,000 to pay for widespread flood damage to the county. The term is for a 75) month period, at an interest rate of 3.74% fixed with the first payment not due until July 20, 2022. As of June 30, 2022, the principal balance was \$0.

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

Note 6. Long-term Debt (Continued)

B. Other Debt

1. First Mortgage Revenue Bonds, Series 2012

On August 2, 2012, the Johnson County Justice Center Corporation refinanced the first mortgage revenue bonds, series 2004, which provided funding for the construction of the Johnson County Judicial Center. The new 2012 bond series was issued for \$5,880,000, with interest rates varying between 2.00 percent and 2.65 percent. Interest is payable on February 1 and August 1 of each year. Funding of the debt service is provided by a lease agreement with the Administrative Office of the Courts (AOC). In the event of default, the loan is secured by the property being financed and foreclosure upon said property would take place. Bonds outstanding as of June 30, 2022, were \$1,970,000. Debt Service requirements are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2023	\$ 640,000	\$ 42,094
2024	655,000	25,906
2025	<u>675,000</u>	<u>8,859</u>
Totals	<u>\$ 1,970,000</u>	<u>\$ 76,859</u>

C. Changes In Long-term Debt

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Direct Borrowings and Direct Placements	\$ 500,000	\$ 145,422	\$ 645,422	\$	\$
Revenue Bonds	<u>2,595,000</u>		<u>625,000</u>	<u>1,970,000</u>	<u>640,000</u>
Total Long-term Debt	<u>\$ 3,095,000</u>	<u>\$ 0</u>	<u>\$ 1,270,422</u>	<u>\$ 1,970,000</u>	<u>\$ 640,000</u>

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

Note 6. Long-term Debt (Continued)

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	
	Principal	Interest
2023	\$ 640,000	\$ 42,094
2024	655,000	25,906
2025	675,000	8,859
Totals	<u>\$ 1,970,000</u>	<u>\$ 76,859</u>

Note 7. Employee Retirement System

The fiscal court has elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which is administered by the Board of Trustees of the Kentucky Retirement Systems (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 \$444,694, FY 2021 was \$436,668, and FY 2022 was \$561,851.

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.

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.

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

Note 7. Employee Retirement System (Continued)

Nonhazardous (Continued)

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.

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

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

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

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

Benefits are covered under KRS 78.5536.

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.

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

Note 7. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

C. 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.

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

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

E. Death Benefit

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

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.

Note 8. Deferred Compensation

The Johnson 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.

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

Note 8. Deferred Compensation (Continued)

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

Note 9. Health Reimbursement Account/Flexible Spending Account

The Johnson County Fiscal Court, in Fiscal Court Order No. 19-065 established a health reimbursement account on July 1, 2019 to provide employees an additional health benefit. The county has contracted with a third-party administrator to administer the plan. The plan provides \$500 toward a \$1,500 deductible. Employees may also contribute additional pre-tax funds through payroll deduction. The balance of the plan is \$10,491.

Note 10. Insurance

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

Note 11. Subsequent Events

The Johnson County Fiscal Court purchased a truck in 2022. The county received funds through Kentucky Association of Counties Leasing Programs to purchase the truck.

Note 12. Justice Center Corporation Fund's Cash In Bank

The Johnson County Fiscal Court has \$386,853 in an account at City National Bank titled under Johnson County Fiscal Court Judicial Center as of June 30, 2022. This money was issued by Citizens National Bank to the fiscal court to close out an old account under the justice center. The county attorney researched this matter to determine who owns this money but was unable to make the determination due to a lack of paper trail at this time. He attempted to obtain a paper trail as to how this money was deposited, the source of its income, and its obligations therein from the Administrative Office of the Courts, U.S. National Bank Association, and Citizens National Bank. He seems to think the money came in to play from a required agreement as an escrow in a sinking fund. The Administrative Office of the Courts said the money belongs to them but could not provide any proof at this time. The Citizens National Bank cannot provide a paper trail due to a system issue.

JOHNSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2022

THIS PAGE LEFT BLANK INTENTIONALLY

JOHNSON 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	\$ 2,136,845	\$ 2,136,845	\$ 2,698,164	\$ 561,319
In Lieu Tax Payments	505	505	237	(268)
Excess Fees	26,000	26,000	45,747	19,747
Intergovernmental	6,422,293	6,422,293	4,566,044	(1,856,249)
Charges for Services	4,300	4,300	4,810	510
Miscellaneous	71,350	71,350	158,486	87,136
Interest	7,800	7,800	14,803	7,003
Total Receipts	8,669,093	8,669,093	7,488,291	(1,180,802)
DISBURSEMENTS				
General Government	2,584,275	2,670,818	2,433,671	237,147
Protection to Persons and Property	108,000	208,000	189,374	18,626
General Health and Sanitation	202,683	217,683	60,370	157,313
Social Services		10,000	2,519	7,481
Recreation and Culture	20,000	41,000	30,005	10,995
Debt Service		393,000	392,984	16
Capital Projects	227,300	424,100	233,486	190,614
Administration	3,526,865	5,026,117	1,442,485	3,583,632
Total Disbursements	6,669,123	8,990,718	4,784,894	4,205,824
Excess (Deficiency) of Receipts Over Adjustments to Cash (Uses)	1,999,970	(321,625)	2,703,397	3,025,022
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			1,928,595	1,928,595
Transfers To Other Funds	(4,893,970)	(4,893,970)	(2,958,124)	1,935,846
Total Other Adjustments to Cash (Uses)	(4,893,970)	(4,893,970)	(1,029,529)	3,864,441
Net Change in Fund Balance	(2,894,000)	(5,215,595)	1,673,868	6,889,463
Fund Balance - Beginning	2,894,000	2,894,000	2,667,302	(226,698)
Fund Balance - Ending	\$ 0	\$ (2,321,595)	\$ 4,341,170	\$ 6,662,765

JOHNSON 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	\$ 2,977,696	\$ 3,945,587	\$ 5,418,466	\$ 1,472,879
Miscellaneous	151,775	151,775	238,119	86,344
Interest	6,000	6,000	6,303	303
Total Receipts	3,135,471	4,103,362	5,662,888	1,559,526
DISBURSEMENTS				
Roads	1,376,275	6,420,885	6,173,823	247,062
Other Transportation Facilities and Services	34,500	34,500	9,115	25,385
Debt Service	154,370	3,933,369	3,923,968	9,401
Administration	3,668,601	419,883	297,840	122,043
Total Disbursements	5,233,746	10,808,637	10,404,746	403,891
Excess (Deficiency) of Receipts Over Adjustments to Cash (Uses)	(2,098,275)	(6,705,275)	(4,741,858)	1,963,417
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds	148,275	5,148,275	3,777,405	(1,370,870)
Total Other Adjustments to Cash (Uses)	148,275	5,148,275	3,777,405	(1,370,870)
Net Change in Fund Balance	(1,950,000)	(1,557,000)	(964,453)	592,547
Fund Balance - Beginning	1,950,000	1,950,000	1,038,416	(911,584)
Fund Balance - Ending	\$ 0	\$ 393,000	\$ 73,963	\$ (319,037)

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

JAIL FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 126,200	\$ 126,200	\$ 120,299	\$ (5,901)
Interest	325	325	449	124
Total Receipts	126,525	126,525	120,748	(5,777)
DISBURSEMENTS				
Protection to Persons and Property	668,280	853,280	775,539	77,741
Administration	22,715	22,715	13,639	9,076
Total Disbursements	690,995	875,995	789,178	86,817
Excess (Deficiency) of Receipts Over Adjustments to Cash (Uses)	(564,470)	(749,470)	(668,430)	81,040
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	563,970	563,970	640,000	76,030
Total Other Adjustments to Cash (Uses)	563,970	563,970	640,000	76,030
Net Change in Fund Balance	(500)	(185,500)	(28,430)	157,070
Fund Balance - Beginning	500	500	80,582	80,082
Fund Balance - Ending	\$ 0	\$ (185,000)	\$ 52,152	\$ 237,152

JOHNSON 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				
Intergovernmental	\$ 173,367	\$ 173,367	\$ 316,011	\$ 142,644
Miscellaneous	250	250		(250)
Interest	1,000	1,000	1,799	799
Total Receipts	174,617	174,617	317,810	143,193
DISBURSEMENTS				
General Government	79,270	143,800	110,327	33,473
General Health and Sanitation	12,000	25,840	16,613	9,227
Social Services	54,752	60,252	57,665	2,587
Roads	38,657	38,657		38,657
Administration	315,238	231,368	24,907	206,461
Total Disbursements	499,917	499,917	209,512	290,405
Excess (Deficiency) of Receipts Over Adjustments to Cash (Uses)	(325,300)	(325,300)	108,298	433,598
Net Change in Fund Balance	(325,300)	(325,300)	108,298	433,598
Fund Balance - Beginning	325,300	325,300	312,399	(12,901)
Fund Balance - Ending	\$ 0	\$ 0	\$ 420,697	\$ 420,697

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

PUBLIC PROPERTIES COURTHOUSE CORPORATION BOND SINKING FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 275,400	\$ 275,400	\$	\$ (275,400)
Interest	350	350	378	28
Total Receipts	275,750	275,750	378	(275,372)
DISBURSEMENTS				
Administration	354,380	354,380		354,380
Total Disbursements	354,380	354,380		354,380
Excess (Deficiency) of Receipts Over Adjustments to Cash (Uses)	(78,630)	(78,630)	378	79,008
Net Change in Fund Balance	(78,630)	(78,630)	378	79,008
Fund Balance - Beginning	78,630	78,630	78,696	66
Fund Balance - Ending	\$ 0	\$ 0	\$ 79,074	\$ 79,074

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

INDUSTRIAL DEVELOPMENT AUTHORITY #1 FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Miscellaneous	\$	\$	\$ 275,000	\$ 275,000
Interest	15	15		(15)
Total Receipts	15	15	275,000	274,985
DISBURSEMENTS				
General Government		25,325	22,863	2,462
Administration	44,315	18,990		18,990
Total Disbursements	44,315	44,315	22,863	21,452
Excess (Deficiency) of Receipts Over Adjustments to Cash (Uses)	(44,300)	(44,300)	252,137	296,437
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			8,500	8,500
Total Other Adjustments to Cash (Uses)			8,500	8,500
Net Change in Fund Balance	(44,300)	(44,300)	260,637	304,937
Fund Balance - Beginning	44,300	44,300	44,300	
Fund Balance - Ending	\$ 0	\$ 0	\$ 304,937	\$ 304,937

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

INDUSTRIAL DEVELOPMENT AUTHORITY #2 FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Interest	\$ 45	\$ 45	\$ 65	\$ 20
Total Receipts	45	45	65	20
DISBURSEMENTS				
Administration	13,559	13,559		13,559
Total Disbursements	13,559	13,559		13,559
Excess (Deficiency) of Receipts Over Adjustments to Cash (Uses)	(13,514)	(13,514)	65	13,579
Net Change in Fund Balance	(13,514)	(13,514)	65	13,579
Fund Balance - Beginning	13,514	13,514	13,525	11
Fund Balance - Ending	\$ 0	\$ 0	\$ 13,590	\$ 13,590

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

FEDERAL GRANTS - MCCC FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 400,000	\$ 400,000	\$ 314,250	\$ (85,750)
Total Receipts	400,000	400,000	314,250	(85,750)
DISBURSEMENTS				
Social Services	400,000	400,000	314,250	85,750
Administration	44,407	44,407		44,407
Total Disbursements	444,407	444,407	314,250	130,157
Excess (Deficiency) of Receipts Over Adjustments to Cash (Uses)	(44,407)	(44,407)		44,407
Net Change in Fund Balance	(44,407)	(44,407)		44,407
Fund Balance - Beginning	44,407	44,407	44,408	1
Fund Balance - Ending	\$ 0	\$ 0	\$ 44,408	\$ 44,408

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

FEDERAL GRANTS - FC/WR FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 495,000	\$ 495,000	\$	\$ (495,000)
Total Receipts	495,000	495,000		(495,000)
DISBURSEMENTS				
Protection to Persons and Property	495,000	495,000		495,000
General Health and Sanitation		200	141	59
Administration	17,154	16,954		16,954
Total Disbursements	512,154	512,154	141	512,013
Excess (Deficiency) of Receipts Over Adjustments to Cash (Uses)	(17,154)	(17,154)	(141)	17,013
Net Change in Fund Balance	(17,154)	(17,154)	(141)	17,013
Fund Balance - Beginning	17,154	17,154	32,251	15,097
Fund Balance - Ending	\$ 0	\$ 0	\$ 32,110	\$ 32,110

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

JOHNSON COUNTY EMPLOYEE FSA AND HRA INSURANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
DISBURSEMENTS				
Administration	\$ 22,057	\$ 22,057	\$ 11,225	\$ 10,832
Total Disbursements	22,057	22,057	11,225	10,832
Excess (Deficiency) of Receipts Over Adjustments to Cash (Uses)	(22,057)	(22,057)	(11,225)	10,832
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	15,000	15,000	15,000	
Total Other Adjustments to Cash (Uses)	15,000	15,000	15,000	
Net Change in Fund Balance	(7,057)	(7,057)	3,775	10,832
Fund Balance - Beginning	7,057	7,057	6,716	(341)
Fund Balance - Ending	\$ 0	\$ 0	\$ 10,491	\$ 10,491

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

AMERICAN RESCUE PLAN ACT FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Miscellaneous	\$	\$	\$ 10	\$ 10
Interest	4,315	4,315	822	(3,493)
Total Receipts	4,315	4,315	832	(3,483)
DISBURSEMENTS				
General Government		88,416	88,416	
General Health and Sanitation		41,073	41,073	
Social Services		5,000	4,995	5
Roads		20,000	20,000	
Capital Projects		15,000	10,614	4,386
Administration	4,319,315	2,221,231	61,823	2,159,408
Total Disbursements	4,319,315	2,390,720	226,921	2,163,799
Excess (Deficiency) of Receipts Over Adjustments to Cash (Uses)	(4,315,000)	(2,386,405)	(226,089)	2,160,316
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	4,315,000	4,315,000	2,154,880	(2,160,120)
Transfers To Other Funds			(1,928,595)	(1,928,595)
Total Other Adjustments to Cash (Uses)	4,315,000	4,315,000	226,285	(4,088,715)
Net Change in Fund Balance		1,928,595	196	(1,928,399)
Fund Balance - Beginning				
Fund Balance - Ending	\$ 0	\$ 1,928,595	\$ 196	\$ (1,928,399)

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

CORPS OF ENGINEERS FLOOD CONTROL FUND			
	Budgeted Amounts		Variance with
	Original	Final	Final Budget Positive (Negative)
RECEIPTS			
Miscellaneous	\$	\$	\$ 186,913
Total Receipts			186,913
DISBURSEMENTS			
General Health and Sanitation		2,050,000	208,183
Debt Service		260,853	207,201
Administration		689,147	689,147
Total Disbursements		3,000,000	415,384
Excess (Deficiency) of Receipts Over Adjustments to Cash (Uses)		(3,000,000)	(228,471)
Other Adjustments to Cash (Uses)			
Financing Obligation Proceeds			206,115
Transfers From Other Funds		3,000,000	139,744
Total Other Adjustments to Cash (Uses)		3,000,000	345,859
Net Change in Fund Balance			117,388
Fund Balance - Beginning			
Fund Balance - Ending	\$ 0	\$ 0	\$ 117,388

JOHNSON COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2022

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.

THIS PAGE LEFT BLANK INTENTIONALLY

JOHNSON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2022

THIS PAGE LEFT BLANK INTENTIONALLY

JOHNSON 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 HOMELAND SECURITY</u>				
<i>Passed-Through Kentucky Department Homeland Security:</i>				
CyberTipline-State Homeland Security Grant Program	97.076	19-073	\$	\$ 52,952
BRIC: Building Resilient Infrastructure and Communities- Emergency Management Performance Grant Program	97.047	00006-S01		6,796
Total U.S. Department of Homeland Security				59,748
<u>U. S. DEPARTMENT OF JUSTICE</u>				
<i>Passed-Through Kentucky Office of Violence against Women:</i>				
Justice Systems Response to Families-Grants to Encourage Arrest Policies and Enforcement of Protection Order Programs	16.021			201,428
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program- Justice Systems Response to Families	16.590			112,821
Total U.S. Department of Justice				314,249
<u>U. S. Department of Emergency Management</u>				
<i>Passed-Through Kentucky Department Emergency Management:</i>				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	4539		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	4592		3,400,235
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	4595		1,639,633
Total U.S. Department of Emergency Management				5,039,868
<u>U. S. DEPARTMENT OF THE TREASURY</u>				
<i>Direct Program:</i>				
COVID-19 - Coronavirus State and Local Recovery Funds American Rescue Plan Act Funds	21.027			2,154,880
Total U.S. Department of the Treasury				2,154,880
<u>U.S. DEPARTMENT OF DEFENSE</u>				
<i>Direct Program:</i>				
Flood Control Projects	12.106	475556		209,531
Total U.S. Department of Defense				209,531
Total Expenditures of Federal Awards			\$ 0	\$ 7,778,276

The accompanying notes are an integral part of this schedule

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

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

JOHNSON COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2022

THIS PAGE LEFT BLANK INTENTIONALLY

JOHNSON 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	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 1,767,596	\$ 171,459	\$	\$ 1,939,055
Buildings	13,146,371			13,146,371
Vehicles	1,259,618		103,476	1,156,142
Equipment	1,350,094		28,000	1,322,094
Infrastructure	10,653,490	119,456		10,772,946
 Total Capital Assets	 <u>\$ 28,177,169</u>	 <u>\$ 290,915</u>	 <u>\$ 131,476</u>	 <u>\$ 28,336,608</u>

JOHNSON 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.

	<u>Capitalization Threshold</u>	<u>Useful Life (Years)</u>
Land Improvements	\$ 25,000	10-60
Buildings and Building Improvements	\$ 50,000	10-75
Equipment	\$ 5,000	3-25
Vehicles	\$ 5,000	3-25
Infrastructure	\$ 25,000	10-50

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

THIS PAGE LEFT BLANK INTENTIONALLY



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 Mark McKenzie, Johnson County Judge/Executive
Members of the Johnson 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 Johnson County Fiscal Court for the fiscal year ended June 30, 2022 and the related notes to the financial statement which collectively comprise the Johnson County Fiscal Court's financial statement and have issued our report thereon dated February 9, 2023.

Internal Control Over Financial Reporting

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

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 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. 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.

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



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

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Johnson 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Respectfully submitted,

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

Mike Harmon
Auditor of Public Accounts
Frankfort, Ky

February 9, 2023

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

THIS PAGE LEFT BLANK INTENTIONALLY



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 Mark McKenzie, Johnson County Judge/Executive
Members of the Johnson County Fiscal Court

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Johnson 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 Johnson County Fiscal Court's major federal programs for the year ended June 30, 2022. The Johnson 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, Johnson 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 Johnson 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 Johnson County Fiscal Court's compliance with the compliance requirements referred to above.

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 Johnson County Fiscal Court's federal programs.



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

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 Johnson 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 Johnson 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 Johnson 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 Johnson 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 Johnson 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.

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.

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 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,

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

February 9, 2023

THIS PAGE LEFT BLANK INTENTIONALLY

JOHNSON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended June 30, 2022

THIS PAGE LEFT BLANK INTENTIONALLY

JOHNSON 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 type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are any significant deficiencies identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Are any noncompliance's material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" 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)
21.027	COVID-19 – Coronavirus State and Local Recovery Funds American Rescue Act Plan

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

Section II: Financial Statement Findings

None.

Section III: Federal Award Findings And Questioned Costs

None.

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

Section IV: Summary Schedule of Prior Year

Finding Number	Prior Year Finding Title	Status	Corrective Action
2021-001	The Fiscal Court Paid Sales Tax on Different Occasions	Resolved	Corrective action being taken

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

JOHNSON COUNTY FISCAL COURT

For The Year Ended June 30, 2022

THIS PAGE LEFT BLANK INTENTIONALLY

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
JOHNSON COUNTY FISCAL COURT

For The Year Ended June 30, 2022

The Johnson 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