

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

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



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

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

**Independent Auditor's Report**

**Report on the Financial Statement**

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Knott County Fiscal Court, for the year ended June 30, 2021, and the related notes to the financial statement, which collectively comprise the Knott County Fiscal Court's financial statement as listed in the table of contents.

**Management's Responsibility for the Financial Statement**

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

**Auditor's Responsibility**

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

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

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



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

As described in Note 1 of the financial statement, the financial statement is prepared by the Knott County Fiscal Court on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

### **Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Knott County Fiscal Court as of June 30, 2021, or changes in financial position or cash flows thereof for the year then ended.

### **Opinion on Regulatory Basis of Accounting**

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

### **Other Matters**

#### *Supplementary and Other Information*

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

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

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

**Other Matters (Continued)**

*Supplementary and Other Information (Continued)*

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2022, on our consideration of the Knott 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 Knott County Fiscal Court's internal control over financial reporting and compliance.

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

- 2021-001 The Knott County Fiscal Court Does Not Have Adequate Internal Controls Over Disbursements
- 2021-002 The Knott County Fiscal Court Does Not Have Adequate Internal Controls Over Credit Card Transactions
- 2021-003 The Knott County Fiscal Court Does Not Have Adequate Internal Controls At The Knott County Sportsplex
- 2021-004 The Knott County Fiscal Court Does Not Have Adequate Internal Controls At The Mine Made Adventure Park And Campground
- 2021-005 Disbursements Exceeded Approved Budget Appropriations
- 2021-006 The Knott County Fiscal Court Has Received Reimbursement For \$245,877 In Unallowed And Questioned Costs For The Coronavirus Relief Fund Federal Program

Respectfully submitted,



Mike Harmon  
Auditor of Public Accounts

June 29, 2022

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

Jeff Dobson	County Judge/Executive
Avery Shrum	Magistrate
Calvin Waddles	Magistrate
Langus Martin	Magistrate
Kenny Dyer	Magistrate

**Other Elected Officials:**

Tim Bates	County Attorney
Robby Slone	Jailer
Maurica Cornett	County Clerk
Lisa Bolen	Circuit Court Clerk
Dale Richardson	Sheriff
Edward Slone	Property Valuation Administrator
Corey Watson	Coroner

**Appointed Personnel:**

Kevin Jacobs	County Treasurer
Debra Moore	Chief Financial Officer

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

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

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

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

	<b>Budgeted Funds</b>			
	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Local Government Economic Assistance Fund</b>
<b>RECEIPTS</b>				
Taxes	\$ 1,695,871	\$	\$	\$
In Lieu Tax Payments	11,006			
Excess Fees	146,397			
Intergovernmental	954,630	1,987,058	88,446	696,068
Charges for Services	142,250			201,301
Miscellaneous	361,113	48,368	45	64,138
Interest	2,615	5,203	274	994
Total Receipts	<u>3,313,882</u>	<u>2,040,629</u>	<u>88,765</u>	<u>962,501</u>
<b>DISBURSEMENTS</b>				
General Government	1,395,404			26,297
Protection to Persons and Property			552,606	172,733
General Health and Sanitation	2,000			129,422
Social Services				145,153
Recreation and Culture				553,687
Roads		1,747,513		52,761
Debt Service	3,050	539,144		47,972
Capital Projects		132,203		
Administration	921,117	152,927	50,100	263,505
Total Disbursements	<u>2,321,571</u>	<u>2,571,787</u>	<u>602,706</u>	<u>1,391,530</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>992,311</u>	<u>(531,158)</u>	<u>(513,941)</u>	<u>(429,029)</u>
<b>Other Adjustments to Cash (Uses)</b>				
Borrowed Money		895,576		
Transfers From Other Funds	398,537	172,787	517,500	528,900
Transfers To Other Funds	(1,441,900)	(380,537)		(58,970)
Total Other Adjustments to Cash (Uses)	<u>(1,043,363)</u>	<u>687,826</u>	<u>517,500</u>	<u>469,930</u>
Net Change in Fund Balance	(51,052)	156,668	3,559	40,901
Fund Balance - Beginning	63,145	2,496	1,664	58
Fund Balance - Ending	<u>\$ 12,093</u>	<u>\$ 159,164</u>	<u>\$ 5,223</u>	<u>\$ 40,959</u>
<b>Composition of Fund Balance</b>				
Bank Balance	\$ 18,509	\$ 275,129	\$ 11,785	\$ 66,071
Plus: Deposits In Transit				
Less: Outstanding Checks	(6,416)	(115,965)	(6,562)	(25,112)
Fund Balance - Ending	<u>\$ 12,093</u>	<u>\$ 159,164</u>	<u>\$ 5,223</u>	<u>\$ 40,959</u>

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

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

<b>Budgeted Funds</b>						
<b>State Grants Fund</b>	<b>Federal Grants Fund</b>	<b>Emergency Management Fund</b>	<b>Forestry Fund</b>	<b>Sports Complex Fund</b>	<b>E-911 Fund</b>	<b>Debt Service Fund</b>
\$	\$	\$	\$ 3,292	\$	\$ 98,760	\$
610,099	268,088	34,054		114,443		472,138
49,983				6,733		
1,294		76	97	324	687	
661,376	268,088	34,130	3,389	121,500	99,447	472,138
			2,118		88,107	
	68,157					
27,402				371,990		
						5,482,480
	200,000			58,975	15,508	
27,402	268,157		2,118	430,965	103,615	5,482,480
633,974	(69)	34,130	1,271	(309,465)	(4,168)	(5,010,342)
3,800				312,100		4,400,000
(628,343)		(34,217)				610,343
(624,543)		(34,217)		312,100		5,010,343
9,431	(69)	(87)	1,271	2,635	(4,168)	1
6,780	303	261	4,614	1,806	45,820	270
\$ 16,211	\$ 234	\$ 174	\$ 5,885	\$ 4,441	\$ 41,652	\$ 271
\$ 46,512	\$ 234	\$ 174	\$ 5,885	\$ 12,610	\$ 41,850	\$ 271
				1,213		
(30,301)				(9,382)	(198)	
\$ 16,211	\$ 234	\$ 174	\$ 5,885	\$ 4,441	\$ 41,652	\$ 271

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

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

	<u>Unbudgeted Fund</u>	
	<u>ARA Grant Fund</u>	<u>Total Funds</u>
<b>RECEIPTS</b>		
Taxes	\$	\$ 1,797,923
In Lieu Tax Payments		11,006
Excess Fees		146,397
Intergovernmental	1,437,946	6,548,527
Charges for Services		457,994
Miscellaneous		530,380
Interest	355	11,919
Total Receipts	<u>1,438,301</u>	<u>9,504,146</u>
<b>DISBURSEMENTS</b>		
General Government		1,423,819
Protection to Persons and Property		813,446
General Health and Sanitation		199,579
Social Services		172,555
Recreation and Culture		925,677
Roads		1,800,274
Debt Service		6,072,646
Capital Projects		332,203
Administration		1,462,132
Total Disbursements		<u>13,202,331</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>1,438,301</u>	<u>(3,698,185)</u>
<b>Other Adjustments to Cash (Uses)</b>		
Borrowed Money		5,295,576
Transfers From Other Funds		2,543,967
Transfers To Other Funds		<u>(2,543,967)</u>
Total Other Adjustments to Cash (Uses)		<u>5,295,576</u>
Net Change in Fund Balance	1,438,301	1,597,391
Fund Balance - Beginning		<u>127,217</u>
Fund Balance - Ending	<u>\$ 1,438,301</u>	<u>\$ 1,724,608</u>
<b>Composition of Fund Balance</b>		
Bank Balance	\$ 1,438,301	\$ 1,917,331
Plus: Deposits In Transit		1,213
Less: Outstanding Checks		<u>(193,936)</u>
Fund Balance - Ending	<u>\$ 1,438,301</u>	<u>\$ 1,724,608</u>

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

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**KNOTT COUNTY  
NOTES TO FINANCIAL STATEMENT**

**June 30, 2021**

**Note 1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The financial statement of Knott County includes all budgeted and unbudgeted funds under the control of the Knott County Fiscal Court. Budgeted funds included within the reporting entity are those funds presented in the county's approved annual budget and reported on the quarterly reports submitted to the Department for Local Government. Unbudgeted funds may include non-fiduciary financial activities, private purpose trust funds, and internal service funds that are within the county's control. Unbudgeted funds may also include any corporation to act as the fiscal court in the acquisition and financing of any public project which may be undertaken by the fiscal court pursuant to the provisions of Kentucky law and thus accomplish a public purpose of the fiscal court. The unbudgeted funds are not presented in the annual approved budget or in the quarterly reports submitted to the Department for Local Government.

The Knott County Justice Center Corporation would have been included in the reporting entity under accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. However, under the regulatory basis, they are no longer required components of the reporting entity.

**B. Basis of Accounting**

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

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

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

**C. Basis of Presentation**

**Budgeted Funds**

The fiscal court reports the following budgeted funds:

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

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

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Basis of Presentation (Continued)**

**Budgeted Funds (Continued)**

Road Fund - This fund is for road and bridge construction and repair. The primary sources of receipts for this fund are state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the general fund.

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

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

State Grants Fund - The primary purpose of this fund is to account for the grants that are received from various state agencies earmarked for specific projects. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the general fund.

Federal Grants Fund - The primary purpose of this fund is to account for the grants that are received from various federal agencies earmarked for specific projects. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the general fund.

Emergency Management Fund - The primary purpose of this fund is to account for the grants that are received from various state and federal agencies earmarked for disaster related projects. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the general fund.

Forestry Fund - The primary purpose of this fund is to account for the taxes received and the related expenditures to prevent forest fires.

Sports Complex Fund – The primary purpose of this fund is to account for the revenue and expenditures of the sports complex. It is primarily funded from charges for service and transfers from other funds.

E-911 Fund - The primary purpose of this fund is to account for the tax revenue and expenditures related to maintaining the local E-911 service.

Debt Service Fund - This fund contains the youth center general obligation bond issue and the justice center corporation bond issue. Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

**Unbudgeted Fund**

ARA Grant Fund - The primary purpose of this fund is to account for the tax revenues and expenditures related to the American Recovery Act grant.

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

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Budgetary Information**

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

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

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

**E. Knott County Elected Officials**

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

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

**Note 1. Summary of Significant Accounting Policies (Continued)**

**G. Long-term Obligations**

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

**H. 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 Knott County Fiscal Court:

Kentucky River Regional Jail

On June 29, 2005, Knott and Perry Counties (the participating counties) entered into an Interlocal Cooperation Agreement in order to provide for joint and cooperative action in the maintenance and financing of the Kentucky River Regional Jail. Pursuant to this interlocal agreement, Perry County financed the acquisition and construction of the Kentucky River Regional Jail. On November 1, 2007, the Perry County Fiscal Court issued \$4,975,000 of general obligation bonds to refund the Perry County Detention Center Bond from December 2001. Pursuant to the lease and sublease, each participating county covenants to meet its proportionate share of the debt service requirements on the bond as follows (the “proportionate share” or “use allowance”): 75 percent for Perry County and 25 percent for Knott County.

**Note 2. Deposits**

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

**Custodial Credit Risk - Deposits**

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

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

**Note 3. Transfers**

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

	General Fund	Road Fund	LGEA Fund	State Grants Fund	Emergency Management Fund	Total Transfers In
General Fund	\$	\$ 380,537	\$	\$ 18,000	\$	\$ 398,537
Road Fund	79,600		58,970		34,217	172,787
Jail Fund	517,500					517,500
LGEA Fund	528,900					528,900
State Grants Fund	3,800					3,800
Sports Complex Fund	312,100					312,100
Debt Service Fund				610,343		610,343
Total Transfers Out	<u>\$ 1,441,900</u>	<u>\$ 380,537</u>	<u>\$ 58,970</u>	<u>\$ 628,343</u>	<u>\$ 34,217</u>	<u>\$ 2,543,967</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. Short-term Debt**

**A. Direct Borrowings**

**1. Line of Credit**

On November 4, 2020, the Knott County Fiscal Court entered into a line of credit agreement not to exceed \$500,000. The purpose of this line of credit is to pay on FEMA disaster expenses. The operating line of credit by Community Trust Bank will be for one year. The fiscal court borrowed \$395,575 and as of June 30, 2021, there was no outstanding balance.

**B. Changes In Short-term Debt**

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings	\$	\$ 395,575	\$ 395,575	\$	\$
Total Short-term Debt	<u>\$ 0</u>	<u>\$ 395,575</u>	<u>\$ 395,575</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

**Note 5. Long-term Debt**

**A. Direct Borrowings and Direct Placements**

**1. Financing Obligation - Excavator**

The Knott County Fiscal Court leases various equipment from time to time. The county maintained one lease with CAT Financial during the year ended June 30, 2021. In the event of default, CAT Financial will have all rights and remedies available under applicable law. In addition, they may declare all lease payments due or to become due during the fiscal year in which the event of default occurs to be immediately due and payable and/or they may repossess the units by giving written notice to deliver the units to CAT Financial in the manner provided, or in the event of failure to do so within ten days after receipt of such notice, and subject to all applicable laws, CAT Financial may enter upon the premises and take possession of the units. Payments for the remaining years are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 2,813	\$ 7
Totals	\$ 2,813	\$ 7

**2. Financing Obligation - Mini-excavator**

The Knott County Fiscal Court entered into an agreement with the Department for Local Government, Office of Federal Grants Recreational Trails Program during the year ended June 30, 2020, to purchase an excavator with CAT Financial for the ATV project that will provide trail restoration, trailside facilities (signage) purchased and installed. The project is federally funded by the federal Highway Administration and will expire October 1, 2021. As of June 30, 2021, the excavator was paid in full.

**3. Financing Obligation - Refinancing - 2021 Series B**

The Knott County Fiscal Court received lease proceeds in the amount of \$4,400,000 to pay off the prior financing obligation - refinancing. Lease principal payments are due in annual installments with the interest payable in semi-annual installments, beginning June 10, 2021. Interest accrues at 2.4 percent. In case of default, the lessor may (a) by appropriate court action, enforce the pledge set forth in this lease so that during the remaining lease term there is levied on all the taxable property of the lessee, in addition to all other taxes, without limitation as to the rate or amount, a direct tax annually in an amount sufficient to the pay the lease rental payments when and as due, (b) take legal title to, and sell or re-lease the project or any portion thereof, or (c) take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the project under this lease (including, without limitation, the right to possession of the project and the right to sell or re-lease or otherwise dispose of the project in accordance with applicable law); and/or take whatever action at law or in equity may appear necessary or desirable to enforce performance by the lessee of the applicable covenants and agreements of the lessee under this lease (subject, however, to the limitations thereon contained in this lease) and to recover damages for the breach thereof. As of June 30, 2021, the remaining principal balance outstanding was \$4,400,000. Payments for the remaining years are as follows:

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

**Note 5. Long-term Debt (Continued)**

**A. Direct Borrowings and Direct Placements (Continued)**

**3. Financing Obligation - Refinancing - 2021 Series B (Continued)**

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2022	\$ 130,000	\$ 95,975
2023	170,000	92,975
2024	325,000	88,025
2025	335,000	81,425
2026	330,000	74,775
2027-2031	1,150,000	266,338
2032-2036	1,320,000	170,595
2037-2038	640,000	18,140
Totals	<u>\$ 4,400,000</u>	<u>\$ 888,248</u>

**4. Financing Obligation - Flood Relief**

On April 6, 2021, the Knott County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties. The purpose of this lease is to provide financial assistance for flood damaged property. The principal component of lease payments shall be \$500,000. The term of this agreement shall be from date of closing through June 27, 2027, with no principal component or interest component collected through June 31, 2022, nor will any interest accrue through June 31, 2022. Beginning on July 1, 2022, the interest component of lease payments shall be the annual rate of 3.74%. In case of default, lessor may terminate agreement immediately upon occurrence of any of the following: lessee fails to pay when due any of the payments, or to perform, or rectify breach of, any obligation assumed by lessee in this agreement. Lessee makes an assignment for the benefit of creditors, or is subject to any receivership, insolvency or bankruptcy proceedings. Any other event which causes lessor, in good faith, to deem itself insecure. Whenever any event of default occurs, the lessor may, without any further demand or notice, terminate the lease term and give notice to the lessee to vacate or surrender the project assets within seven days from the date of such notice; exercise all the rights and remedies of a secured party under the Kentucky Uniform Commercial Code, with respect to the project assets, and may otherwise repossess and liquidate or realize foreclose upon the project assets in lawful manner; sell or re-lease the project or any portion thereof; recover from the lessee lease payments which would otherwise have been payable hereunder during any period in which the lessee continues to use, occupy or retain possession of the project assets. As of June 30, 2021, the remaining principal balance outstanding was \$500,000. Payments for the remaining years are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2023	\$ 92,675	\$ 17,122
2024	96,200	13,596
2025	99,861	9,936
2026	103,660	6,136
2027	107,604	2,192
Totals	<u>\$ 500,000</u>	<u>\$ 48,982</u>

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

**Note 5. Long-term Debt (Continued)**

**B. Other Debt**

**1. First Mortgage Refunding Revenue Bonds**

The Knott County Kentucky Justice Center Corporation issued \$4,085,000 First Mortgage Refunding Revenue bonds dated October 19, 2011. The bonds are payable in annual installments with the interest payable in semi-annual installments, beginning April 1, 2012. Interest accrues at rates of 1.0 percent to 3.25 percent. In the event of default, the loan is secured by the property being financed and foreclosure upon said property would take place. As of June 30, 2021, the principal balance outstanding was \$915,000. Payments for the remaining years are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 450,000	\$ 21,863
2023	465,000	7,556
Totals	<u>\$ 915,000</u>	<u>\$ 29,419</u>

**2. General Obligation Revenue Bonds, 2017 First Series E**

The Knott County Fiscal Court issued \$1,212,265 in revenue bonds dated November 15, 2017. The bonds were issued for roads and a building as well as improvements at the Sportsplex. The bonds are payable in annual installments with the interest payable in semi-annual installments, beginning December 20, 2017. Interest accrues at a rate of 2.71 percent.

In case of default, the lessor may (a) by appropriate court action, enforce the pledge set forth in this lease so that during the remaining lease term there is levied on all the taxable property of the lessee, in addition to all other taxes, without limitation as to the rate or amount, a direct tax annually in an amount sufficient to pay the lease rental payments when and as due, (b) take legal title to, and sell or re-lease the project or any portion thereof, or (c) take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the project under this lease (including, without limitation, the right to possession of the project and the right to sell or re-lease or otherwise dispose of the project in accordance with applicable law); and/or take whatever action at law or in equity may appear necessary or desirable to enforce performance by the lessee of the applicable covenants and agreements of the lessee under this lease (subject, however, to the limitations thereon contained in this Lease) and to recover damages for the breach thereof. As of June 30, 2021, the principal balance outstanding was \$960,000. Payments for the remaining years are as follows:

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

**Note 5. Long-term Debt (Continued)**

**A. Other Debt (Continued)**

**2. General Obligation Revenue Bonds, 2017 First Series E (Continued)**

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 50,000	\$ 44,160
2023	55,000	41,410
2024	55,000	38,523
2025	55,000	35,635
2026	70,000	32,372
2027-2031	625,000	74,638
2032-2033	50,000	3,265
Totals	<u>\$ 960,000</u>	<u>\$ 270,003</u>

**B. Changes In Long-term Debt**

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	\$ 4,557,533	\$ 4,900,000	\$4,554,720	\$ 4,902,813	\$ 132,813
Revenue Bonds	2,355,000		480,000	1,875,000	500,000
Total Long-term Debt	<u>\$ 6,912,533</u>	<u>\$ 4,900,000</u>	<u>\$ 5,034,720</u>	<u>\$ 6,777,813</u>	<u>\$ 632,813</u>

**C. Aggregate Debt Schedule**

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

Fiscal Year Ended June 30	Other Debt		Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
2022	\$ 500,000	\$ 66,023	\$ 132,813	\$ 95,982
2023	520,000	48,966	262,675	110,097
2024	55,000	38,523	421,200	101,621
2025	55,000	35,635	434,861	91,361
2026	70,000	32,372	433,660	80,911
2027-2031	625,000	74,638	1,257,604	268,530
2032-2036	50,000	3,265	1,320,000	170,595
2037-2038			640,000	18,140
Totals	<u>\$ 1,875,000</u>	<u>\$ 299,422</u>	<u>\$ 4,902,813</u>	<u>\$ 937,237</u>

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

**Note 6. Employee Retirement System**

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

The county's contribution for FY 2019 was \$490,673, FY 2020 was \$499,112, and FY 2021 was \$527,352.

Nonhazardous

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008, are required to contribute 6 percent of their salary to be allocated as follows: 5 percent will go to the member's account and 1 percent will go to the KRS insurance fund.

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

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

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

Hazardous

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

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

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

**Note 6. Employee Retirement System**

Hazardous (Continued)

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 39.58 percent.

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

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

<b>Years of Service</b>	<b>% Paid by Insurance Fund</b>	<b>% Paid by Member through Payroll Deduction</b>
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.

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

**Note 6. Employee Retirement System (Continued)**

Other Post-Employment Benefits (OPEB)

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

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

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

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

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

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

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

**D. Cost of Living Adjustments - Tier 1**

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

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

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

**F. Death Benefit**

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

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

**Note 6. Employee Retirement System (Continued)**

KRS Annual Financial Report and Proportionate Share Audit Report

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

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

**Note 7. Deferred Compensation**

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

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

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

**Note 8. Health Reimbursement Account**

The Knott County Fiscal Court established a health reimbursement account to provide employees an additional health benefit. The county has contracted with a third-party administrator to administer the plan. The county contributes \$2,000 to each employee. The employees' accounts are credited each month throughout the fiscal year.

**Note 9. Insurance**

For the fiscal year ended June 30, 2021, the Knott 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.

**KNOTT COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**

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

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**KNOTT COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**

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

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Taxes	\$ 2,065,400	\$ 2,107,754	\$ 1,695,871	\$ (411,883)
In Lieu Tax Payments	13,300	13,300	11,006	(2,294)
Excess Fees	27,500	146,399	146,397	(2)
Intergovernmental	326,600	1,008,199	954,630	(53,569)
Charges for Services	125,000	142,251	142,250	(1)
Miscellaneous	246,700	394,958	361,113	(33,845)
Interest	3,200	3,200	2,615	(585)
Total Receipts	2,807,700	3,816,061	3,313,882	(502,179)
<b>DISBURSEMENTS</b>				
General Government	995,060	1,474,239	1,395,404	78,835
Protection to Persons and Property	1,500	1,500		1,500
General Health and Sanitation	4,000	4,000	2,000	2,000
Debt Service	3,172	3,172	3,050	122
Administration	970,341	1,067,991	921,117	146,874
Total Disbursements	1,974,073	2,550,902	2,321,571	229,331
Excess (Deficiency) of Receipts Over Adjustments to Cash (Uses)	833,627	1,265,159	992,311	(272,848)
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	223,513	398,537	398,537	
Transfers To Other Funds	(1,250,305)	(1,726,840)	(1,441,900)	284,940
Total Other Adjustments to Cash (Uses)	(1,026,792)	(1,328,303)	(1,043,363)	284,940
Net Change in Fund Balance	(193,165)	(63,144)	(51,052)	12,092
Fund Balance - Beginning	193,165	63,144	63,145	1
Fund Balance - Ending	\$ 0	\$ 0	\$ 12,093	\$ 12,093

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

	<b>ROAD FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts, (Budgetary Basis)</b>	<b>Final Budget Positive (Negative)</b>
<b>RECEIPTS</b>				
Intergovernmental	\$ 1,574,183	\$ 2,002,701	\$ 1,987,058	\$ (15,643)
Miscellaneous	2,000	49,369	48,368	(1,001)
Interest	5,000	5,280	5,203	(77)
Total Receipts	1,581,183	2,057,350	2,040,629	(16,721)
<b>DISBURSEMENTS</b>				
Roads	1,192,833	1,801,093	1,747,513	53,580
Debt Service	107,410	540,184	539,144	1,040
Capital Projects	35,000	132,203	132,203	
Administration	172,427	274,192	152,927	121,265
Total Disbursements	1,507,670	2,747,672	2,571,787	175,885
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	73,513	(690,322)	(531,158)	159,164
<b>Other Adjustments to Cash (Uses)</b>				
Borrowed Money		895,576	895,576	
Transfers From Other Funds		172,787	172,787	
Transfers To Other Funds	(223,513)	(380,537)	(380,537)	
Total Other Adjustments to Cash (Uses)	(223,513)	687,826	687,826	
Net Change in Fund Balance	(150,000)	(2,496)	156,668	159,164
Fund Balance - Beginning	150,000	2,496	2,496	
Fund Balance - Ending	\$ 0	\$ 0	\$ 159,164	\$ 159,164

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

<b>JAIL FUND</b>				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Intergovernmental	\$ 118,250	\$ 119,431	\$ 88,446	\$ (30,985)
Miscellaneous	750	750	45	(705)
Interest	495	495	274	(221)
Total Receipts	119,495	120,676	88,765	(31,911)
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	850,350	838,659	552,606	286,053
Administration	49,370	53,906	50,100	3,806
Total Disbursements	899,720	892,565	602,706	289,859
Excess (Deficiency) of Receipts Over Adjustments to Cash (Uses)	(780,225)	(771,889)	(513,941)	257,948
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	770,225	770,225	517,500	(252,725)
Total Other Adjustments to Cash (Uses)	770,225	770,225	517,500	(252,725)
Net Change in Fund Balance	(10,000)	(1,664)	3,559	5,223
Fund Balance - Beginning	10,000	1,664	1,664	
Fund Balance - Ending	\$ 0	\$ 0	\$ 5,223	\$ 5,223

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

**LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 710,000	\$ 920,650	\$ 696,068	\$ (224,582)
Charges for Services	64,001	187,995	201,301	13,306
Miscellaneous	36,500	81,044	64,138	(16,906)
Interest	3,500	3,500	994	(2,506)
Total Receipts	814,001	1,193,189	962,501	(230,688)
<b>DISBURSEMENTS</b>				
General Government	27,090	27,799	26,297	1,502
Protection to Persons and Property	173,026	179,268	172,733	6,535
General Health and Sanitation	186,650	168,091	129,422	38,669
Social Services	133,050	146,354	145,153	1,201
Recreation and Culture	420,650	645,333	553,687	91,646
Roads	45,500	52,762	52,761	1
Debt Service			47,972	(47,972)
Administration	291,200	443,569	263,505	180,064
Total Disbursements	1,277,166	1,663,176	1,391,530	271,646
Excess (Deficiency) of Receipts Over Adjustments to Cash (Uses)	(463,165)	(469,987)	(429,029)	40,958
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	298,165	528,900	528,900	
Transfers To Other Funds		(58,971)	(58,970)	1
Total Other Adjustments to Cash (Uses)	298,165	469,929	469,930	1
Net Change in Fund Balance	(165,000)	(58)	40,901	40,959
Fund Balance - Beginning	165,000	58	58	
Fund Balance - Ending	\$ 0	\$ 0	\$ 40,959	\$ 40,959

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

<b>STATE GRANTS FUND</b>				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Intergovernmental	\$ 741,000	\$ 741,000	\$ 610,099	\$ (130,901)
Miscellaneous	1,000	49,983	49,983	
Interest	1,751	1,751	1,294	(457)
Total Receipts	743,751	792,734	661,376	(131,358)
<b>DISBURSEMENTS</b>				
General Government	100	100		100
Protection to Persons and Property	55,000	55,000		55,000
General Health and Sanitation	3,100	3,100		3,100
Social Services	20,000	27,402	27,402	
Recreation and Culture	8,000	8,000		8,000
Roads	1,000	1,000		1,000
Administration	7,088	34,749		34,749
Total Disbursements	94,288	129,351	27,402	101,949
Excess (Deficiency) of Receipts Over Adjustments to Cash (Uses)	649,463	663,383	633,974	(29,409)
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds		3,800	3,800	
Transfers To Other Funds	(655,963)	(673,963)	(628,343)	45,620
Total Other Adjustments to Cash (Uses)	(655,963)	(670,163)	(624,543)	45,620
Net Change in Fund Balance	(6,500)	(6,780)	9,431	16,211
Fund Balance - Beginning	6,500	6,780	6,780	
Fund Balance - Ending	\$ 0	\$ 0	\$ 16,211	\$ 16,211

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

	<b>FEDERAL GRANTS FUND</b>			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Intergovernmental	\$ 215,000	\$ 268,088	\$ 268,088	\$
Interest	1	1		(1)
Total Receipts	215,001	268,089	268,088	(1)
<b>DISBURSEMENTS</b>				
General Health and Sanitation	1,000	68,258	68,157	101
Capital Projects	214,000	200,000	200,000	
Administration	305	134		134
Total Disbursements	215,305	268,392	268,157	235
Excess (Deficiency) of Receipts Over				
Adjustments to Cash (Uses)	(304)	(303)	(69)	234
Net Change in Fund Balance	(304)	(303)	(69)	234
Fund Balance - Beginning	304	303	303	
Fund Balance - Ending	\$ 0	\$ 0	\$ 234	\$ 234

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

<b>EMERGENCY MANAGEMENT FUND</b>				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Intergovernmental	\$ 18,600	\$ 40,690	\$ 34,054	\$ (6,636)
Interest	100	100	76	(24)
Total Receipts	18,700	40,790	34,130	(6,660)
<b>DISBURSEMENTS</b>				
Roads	1,100	960		960
Administration	150	5,275		5,275
Total Disbursements	1,250	6,235		6,235
Excess (Deficiency) of Receipts Over Adjustments to Cash (Uses)	17,450	34,555	34,130	(425)
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds	(18,000)	(34,816)	(34,217)	599
Total Other Adjustments to Cash (Uses)	(18,000)	(34,816)	(34,217)	599
Net Change in Fund Balance	(550)	(261)	(87)	174
Fund Balance - Beginning	550	261	261	
Fund Balance - Ending	\$ 0	\$ 0	\$ 174	\$ 174

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

<b>FORESTRY FUND</b>				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Taxes	\$ 3,515	\$ 3,657	\$ 3,292	\$ (365)
Interest	100	100	97	(3)
Total Receipts	3,615	3,757	3,389	(368)
<b>DISBURSEMENTS</b>				
General Government	2,350	2,350	2,118	232
Administration	2,465	6,021		6,021
Total Disbursements	4,815	8,371	2,118	6,253
Excess (Deficiency) of Receipts Over Adjustments to Cash (Uses)	(1,200)	(4,614)	1,271	5,885
Net Change in Fund Balance	(1,200)	(4,614)	1,271	5,885
Fund Balance - Beginning	1,200	4,614	4,614	
Fund Balance - Ending	\$ 0	\$ 0	\$ 5,885	\$ 5,885

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

<b>SPORTS COMPLEX FUND</b>				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Charges for Services	\$ 355,000	\$ 355,000	\$ 114,443	\$ (240,557)
Miscellaneous	7,500	7,500	6,733	(767)
Interest	245	345	324	(21)
Total Receipts	362,745	362,845	121,500	(241,345)
<b>DISBURSEMENTS</b>				
Recreation and Culture	439,550	478,796	371,990	106,806
Administration	129,610	230,770	58,975	171,795
Total Disbursements	569,160	709,566	430,965	278,601
Excess (Deficiency) of Receipts Over Adjustments to Cash (Uses)	(206,415)	(346,721)	(309,465)	37,256
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	199,915	344,915	312,100	(32,815)
Total Other Adjustments to Cash (Uses)	199,915	344,915	312,100	(32,815)
Net Change in Fund Balance	(6,500)	(1,806)	2,635	4,441
Fund Balance - Beginning	6,500	1,806	1,806	
Fund Balance - Ending	\$ 0	\$ 0	\$ 4,441	\$ 4,441

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

<b>E-911 FUND</b>				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Taxes	\$ 98,000	\$ 98,000	\$ 98,760	\$ 760
Miscellaneous	100	100		(100)
Interest	525	725	687	(38)
Total Receipts	98,625	98,825	99,447	622
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	90,900	117,723	88,107	29,616
Administration	22,725	26,922	15,508	11,414
Total Disbursements	113,625	144,645	103,615	41,030
Excess (Deficiency) of Receipts Over Adjustments to Cash (Uses)	(15,000)	(45,820)	(4,168)	41,652
Net Change in Fund Balance	(15,000)	(45,820)	(4,168)	41,652
Fund Balance - Beginning	15,000	45,820	45,820	
Fund Balance - Ending	\$ 0	\$ 0	\$ 41,652	\$ 41,652

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

<b>DEBT SERVICE FUND</b>				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Intergovernmental	\$ 472,137	\$ 472,137	\$ 472,138	\$ 1
Total Receipts	472,137	472,137	472,138	1
<b>DISBURSEMENTS</b>				
Debt Service	1,128,100	1,128,100	5,482,480	(4,354,380)
Total Disbursements	1,128,100	1,128,100	5,482,480	(4,354,380)
Excess (Deficiency) of Receipts Over Adjustments to Cash (Uses)	(655,963)	(655,963)	(5,010,342)	(4,354,379)
<b>Other Adjustments to Cash (Uses)</b>				
Financing Obligation Proceeds			4,400,000	4,400,000
Transfers From Other Funds	655,963	655,963	610,343	(45,620)
Total Other Adjustments to Cash (Uses)	655,963	655,963	5,010,343	4,354,380
Net Change in Fund Balance			271	271
Fund Balance - Beginning				
Fund Balance - Ending	\$ 0	\$ 0	\$ 271	\$ 271

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

**June 30, 2021**

**Note 1. Budgetary Information**

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

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

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

**Note 2. Excess of Disbursements Over Appropriations**

The local government economic assistance fund, debt service category, exceeded budgeted appropriations by \$47,972. The debt service fund, debt service category, exceeded budgeted appropriations by \$4,354,380.

**KNOTT COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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

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**KNOTT COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity's Identifying Number	Provided to Subrecipient	Total Federal Expenditures
<b><u>U. S. Department of Health and Human Services</u></b>				
<i>Passed-Through Kentucky Department for Aging and Independent Living KRADD</i>				
<i>Aging Cluster</i>				
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	PON2 1700002624 4	\$	\$ 110,160
Nutrition Services Incentive Program	93.053	PON2 1700002624 4		25,121
<b>Total U.S. Department of Health and Human Services - Aging Cluster</b>			<b>\$</b>	<b>\$ 135,281</b>
<b><u>U. S. Department of Homeland Security</u></b>				
<i>Passed-Through Kentucky Department Military Affairs</i>				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	Unknown	\$	\$ 22,689
Emergency Management Performance Grants				
EMS Reimbursement	97.042	Po2 0951600021481		11,365
<b>Total U.S. Department of Homeland Security</b>			<b>\$</b>	<b>\$ 34,054</b>
<b><u>U. S. Department of Interior</u></b>				
<i>Direct Program:</i>				
Abandoned Mine Land Economic Revitalization Program	15.252	KY0034123	\$	\$ 68,088
<b>Total U.S. Department of Interior</b>			<b>\$</b>	<b>\$ 68,088</b>
<b>U.S. Department of Housing and Urban Development</b>				
<i>Passed-Through Kentucky Department for Local Government</i>				
Community Development Block Grants Hickory Hill	14.228	16-043	\$ 190,000	\$ 200,000
<b>Total U.S. Department of Housing and Urban Development</b>			<b>\$ 190,000</b>	<b>\$ 200,000</b>
<b>U.S. Department of Treasury</b>				
<i>Passed-Through Kentucky Department for Local Government</i>				
COVID-19 Coronavirus Relief Fund	21.019	Unknown	\$	\$ 386,621
<b>Total U.S. Department of Treasury</b>			<b>\$</b>	<b>\$ 386,621</b>
<b>U.S. Department of Transportation</b>				
<i>Passed-Through Kentucky Department for Local Government</i>				
Recreational Trails Program	20.219	RTP 568-18	\$	\$ 68,798
<b>Total U.S. Department of Transportation</b>			<b>\$</b>	<b>\$ 68,798</b>
Total Expenditures of Federal Awards			<b>\$ 190,000</b>	<b>\$ 892,842</b>

**KNOTT COUNTY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**June 30, 2021**

**Note 1. Basis of Presentation**

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

Knott 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.

**KNOTT COUNTY**  
**SCHEDULE OF CAPITAL ASSETS**  
**Other Information - Regulatory Basis**

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

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**KNOTT COUNTY**  
**SCHEDULE OF CAPITAL ASSETS**  
**Other Information - Regulatory Basis**

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

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 1,094,505	\$	\$	\$ 1,094,505
Buildings and Building Improvements	25,928,434	62,028		25,990,462
Vehicles and Equipment *	2,710,507	262,862	124,250	2,849,119
Infrastructure	12,021,626	659,715		12,681,341
 Total Capital Assets	 <u>\$ 41,755,072</u>	 <u>\$ 984,605</u>	 <u>\$ 124,250</u>	 <u>\$ 42,615,427</u>

\* Restated beginning vehicle balance in the amount of \$157,294.

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

**June 30, 2021**

**Note 1. Capital Assets**

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

	<u>Capitalization Threshold</u>	<u>Useful Life (Years)</u>
Buildings and Building Improvements	\$ 10,000	10-20
Vehicles and Equipment	\$ 10,000	5
Infrastructure	\$ 10,000	5-10

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

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

The Honorable Jeff Dobson, Knott County Judge/Executive  
Members of the Knott County Fiscal Court

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

**Independent Auditor's Report**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Knott County Fiscal Court for the fiscal year ended June 30, 2021, and the related notes to the financial statement which collectively comprise the Knott County Fiscal Court's financial statement and have issued our report thereon dated June 29, 2022.

**Internal Control Over Financial Reporting**

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2021-005 to be a material weakness.



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

**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 deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2021-001, 2021-002, 2021-003, and 2021-004 to be significant deficiencies.

**Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the Knott County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as items 2021-005.

**Views of Responsible Official and Planned Corrective Action**

Knott 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 flourish extending to the right.

Mike Harmon  
Auditor of Public Accounts

June 29, 2022

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

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

The Honorable Jeff Dobson, Knott County Judge/Executive  
Members of the Knott County Fiscal Court

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

Independent Auditor's Report

**Report on Compliance for Each Major Federal Program**

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

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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



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

**Basis for Adverse Opinion on ALN 21.019 CARES - Coronavirus Relief Fund**

As described in the accompanying Schedule of Findings and Questioned Costs, Knott County Fiscal Court did not comply with requirements regarding ALN 21.019 CARES - Coronavirus Relief Fund as described in finding number 2021-006 for activities allowed/unallowed, allowable cost/cost principles and period of performance. Compliance with such requirements is necessary, in our opinion, for Knott County Fiscal Court to comply with the requirements applicable to that program.

**Adverse Opinion on ALN 21.019 CARES - Coronavirus Relief Fund**

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion paragraph, Knott County Fiscal Court did not comply in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on ALN 21.019 CARES - Coronavirus Relief Fund for the year ended June 30, 2021.

**Report on Internal Control over Compliance**

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

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

*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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2021-006 to be a material weakness.

The Knott County Fiscal Court's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Knott County Fiscal Court's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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)**

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

June 29, 2022

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**KNOTT COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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

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**KNOTT COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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

**Section I: Summary of Auditor's Results**

***Financial Statement***

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

Internal control over financial reporting:

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

Identification of major programs:

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

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

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

**Section II: Financial Statement Findings**

**2021-001 The Knott County Fiscal Court Does Not Have Adequate Internal Controls Over Disbursements**

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This is a repeat finding and was included in the prior year audit report as finding 2020-002. The Knott County Fiscal Court does not have adequate internal controls over disbursements. Of the 111 items tested, seven invoices were missing supporting documentation, 17 invoices were not paid within 30 days, and 30 invoices did not have a purchase order issued.

The lack of available funds caused invoices to be paid late, and lack of internal controls over the purchase orders system allowed invoices to be paid that had not gone through the purchase order system. Weak controls over disbursements increase the risk of misstatements of financial activity. Payments could be paid to vendors that may not be a true liability to the fiscal court. Funds could be misused or invoices could go unaccounted for, resulting in late fees being incurred.

Proper internal controls over disbursements are important to ensure purchase orders are created when sufficient funds are available, are presented to the fiscal court, include proper supporting documentation, and are paid within 30 days. KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. Per the Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual*, "purchases shall not be made without approval by the judge/executive (or designee), and/or a department head. Purchase requests shall not be approved in an amount that exceeds the available line item appropriation unless the necessary and appropriate transfers have been made."

KRS 68.300 states, in part, "[a]ny appropriation made or claim allowed by the fiscal court in excess of any budget fund, and any warrant or contract not within the budget appropriation, shall be void." KRS 68.275 requires claims within budget line items and authorized by the fiscal court be paid by the county judge/executive and co-signed by the county treasurer. In addition, KRS 65.140 requires invoices to be paid within 30 days of being received.

We recommend the fiscal court implement proper internal controls over disbursements and ensure they are operating effectively.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: Several invoices were paid outside the 30 day requirement. The Fiscal Court continues to pay all bills timely, unfortunately the Court lacks the excess funds to pay very large expenses all at once. Example the 200K property-liability insurance bill.*

**2021-002 The Knott County Fiscal Court Does Not Have Adequate Internal Controls Over Credit Card Transactions**

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This is a repeat finding and was included in the prior year audit report at finding 2020-003. The Knott County Fiscal Court does not have adequate internal controls over credit card transactions. Seven payments were late, there were \$3 in finance charges, and \$835 in sales taxes being charged when they should be tax-exempt.

The fiscal court has lax oversight over credit card use by not ensuring payments are made on time, and finance charges and sales tax are not being charged. The lack of oversight by the fiscal court over the use of credit cards could allow charges that do not meet a public purpose for the county. Strong internal controls dictate that there be procedures in place to make sure payments are being made on time, and finance charges and sales tax are not being charged.

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

**Section II: Financial Statement Findings (Continued)**

2021-002 The Knott County Fiscal Court Does Not Have Adequate Internal Controls Over Credit Card Transactions (Continued)

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We recommend the fiscal court have more control of credit card usage, ensure that payments are being made on time, and finance charges and sales tax are not being charged.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: KCFC will continue to work on proper reconciliation of credit card receipts.*

2021-003 The Knott County Fiscal Court Does Not Have Adequate Internal Controls At The Knott County Sportsplex

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This is a repeat finding and was included in the prior year audit report as finding 2020-004. Our review of the receipts and disbursement process for the Knott County Sportsplex revealed weaknesses in internal controls that should be addressed. The Knott County Sportsplex collects money for rental fees, membership fees, concessions, front door ticket sales, driving range, arcades, advertisements, and vending machines. During basketball season, referees are paid out of the front door cash receipts. The Sportsplex director calculates the sales report and deposit, faxes the daily checkout sheet to the county treasurer, and makes the daily deposit. If referees are paid out of the cash drawer, the amount is listed on the daily checkout sheet to reduce cash receipts from the day's business. The fiscal court did not implement good internal controls over receipts. Because internal controls are not in place for receipts, money could be misappropriated and go undetected.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual* states, "disbursements by check only." Good internal controls over cash receipts help safeguard assets from employee theft, robbery, and unauthorized use. Good internal controls also enhance the accuracy and reliability of accounting records by reducing the risk of errors, intentional mistakes, and misrepresentations in the accounting process.

KRS 68.275(1) states, "[c]laims against the county that are within the amount of line items of the county budget and arise pursuant to contracts duly authorized by the fiscal court shall be paid by the county judge/executive by a warrant drawn on the county and co-signed by the county treasurer." KRS 68.275(2) states, "[t]he county judge/executive shall present all claims to the fiscal court for review prior to payment and the court, for good cause shown, may order that a claim not be paid."

Due to the high volume of cash transactions and not accounting for significant amounts of revenue, we recommend the county implement the following procedures:

- Pre-numbered receipts should be maintained for all monies collected. This accounts for front desk, concession stand, and the driving range.
- All checks should be copied and detailed on the deposit ticket with a name to identify collections.
- All daily checkout sheets and deposit tickets should be signed or initialed with a supervisor's approval to verify correct amounts were collected and deposited daily.
- All disbursements paid to referees should be made by check only.

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

**Section II: Financial Statement Findings (Continued)**

2021-003 The Knott County Fiscal Court Does Not Have Adequate Internal Controls At The Knott County Sportsplex (Continued)

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Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: The Fiscal Court has implemented various controls to help this situation for example a point of sales system. The Court is always trying to increase internal controls at the Sportsplex.*

2021-004 The Knott County Fiscal Court Does Not Have Adequate Internal Controls At The Mine Made Adventure Park And Campground

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This is a repeat finding and was included in the prior year audit report as finding 2020-005. A review of the receipts process for the Knott County Mine Made Adventure Park and Campground revealed weaknesses in internal controls that should be addressed. The Knott County Mine Made Adventure Park and Campground collects money for campsite and cabin rentals, RV storage rentals, parking fees for ATV rides, and sells shirts, ice, and firewood. One employee is in charge of the operations which involves collecting, reconciling, and depositing money into the bank on a weekly basis instead of daily. The fiscal court did not implement good internal controls over receipts. Because internal controls are not in place for receipts, money could be misappropriated and go undetected. Good internal controls over cash receipts help safeguard assets from employee theft, robbery, and unauthorized use. Good internal controls also enhance the accuracy and reliability of accounting records by reducing the risk of errors, mistakes, and misrepresentations in the accounting process.

Due to the high volume of cash transaction, we recommend the county implement the following procedures:

- Pre-numbered receipts should be maintained for all monies collected. This accounts for all rentals and sales.
- All daily checkout sheets and deposit tickets should be signed or initialed with a supervisor's approval to verify correct amounts were collected and deposited daily.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: The Fiscal Court has implemented various controls to help this situation for example a point of sales system. The Court is always trying to increase internal controls at the Mine Made Park.*

2021-005 Disbursements Exceeded Approved Budget Appropriations

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This is a repeat finding and was included in the prior year audit report as finding 2020-006. The fiscal court's disbursements exceeded the approved budget. The debt service line items in the Local Government Economic Assistance (LGEA) fund and the debt service fund exceeded the appropriations by \$47,972 and \$4,354,380, respectively. Budget amendments or budget transfers were not made to ensure the budget was not overspent. This was due to an oversight of management. Also, due to the fiscal court not recording the \$47,972 and \$4,354,380 properly, they were unaware they had overspent the budget appropriations. The disbursements exceeded budget appropriations by \$47,972 and \$4,354,380 after recording the expenditure payments correctly.

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

**Section II: Financial Statement Findings (Continued)**

**2021-005 Disbursements Exceeded Approved Budget Appropriations (Continued)**

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KRS 68.300 states, “[a]ny appropriation made, or claim allowed by the fiscal court in excess of any budget fund, and any warrant or contract not made within the budget appropriation, shall be void. No member of the fiscal court shall vote for any such illegal appropriation or claim.” Further, KRS 68.280 states, “[t]he fiscal court may make provision for the expenditure of receipts unanticipated in the original budget by preparing an amendment to the budget, showing the source and amount of the unanticipated receipts and specifying the budget funds that are to be increased thereby. The amendment shall be submitted to the state local finance officer subject to the same provisions as the original budget.”

We recommend the fiscal court ensure all funds are properly budgeted or prepare budget amendments if necessary.

**Views of Responsible Official and Planned Corrective Action:**

*County Judge/Executive’s Response: The Cat finance amount was addressed in the last audit. The other disbursement was for the refinance of the Sportsplex bond payment. No additional funds were borrowed. KCFC strives to make sure all disbursements are budgeted.*

**Section III: Federal Award Findings And Questioned Costs**

**2021-006 The Knott County Fiscal Court Has Received Reimbursement For \$245,877 In Unallowed And Questioned Costs For The Coronavirus Relief Fund Federal Program**

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*Federal Program: COVID-19 Coronavirus Relief Fund ALN 21.019*

*Award Number and Year: Fiscal Year 2021*

*Name of Federal Agency and Pass-Thru Agency: U.S. Department of the Treasury, passed through the Kentucky Department for Local Government*

*Compliance Requirements: Activities Allowed or Unallowed, Allowable Cost/Cost Principles, Period of Performance*

*Type of Finding: Material Noncompliance*

*Amount of Questioned Costs: \$245,877*

*Opinion Modification: Adverse*

*COVID Related: Yes*

During fiscal year 2021, the Knott County Fiscal Court requested and received reimbursement from the Department for Local Government for Coronavirus Relief Fund (CRF) expenses totaling \$386,622 related to coronavirus mitigation activities. Of this amount, \$245,877 was for payroll expenses incurred and paid by the Kentucky River Regional Jail, a legally separate entity and a joint venture between Knott and Perry counties as is disclosed in Note 1 in “Notes to Financial Statement.”

The payroll expenses for the Kentucky River Regional Jail meet the requirements of permissible use of Fund payments according to the guidance in the Federal Register Volume 86 (86 FR 4182) published January 15, 2021 as correctional and detention officers are specifically noted as presumed to meet the requirements of employees who are substantially dedicated to coronavirus response activities. However, these payroll expenses were incurred and paid by the Kentucky River Regional Jail not the Knott County Fiscal Court. The Knott County Fiscal Court has retained the funds reimbursed for these eligible payroll expenses. In order for costs to be allowable under the Coronavirus Relief Fund, the entity must have incurred an eligible expense during the period of performance.

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

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

2021-006 The Knott County Fiscal Court Has Received Reimbursement For \$245,877 In Unallowed And Questioned Costs For The Coronavirus Relief Fund Federal Program (Continued)

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The fiscal court did not have adequate internal controls in place to ensure material compliance with all federal programs. Management believed the payroll expenses incurred by the Kentucky River Regional Jail could be received and retained by the Knott County Fiscal Court because the fiscal court provides operating revenue to the jail via payments for housing inmates and other payments as established in the Interlocal Cooperation Agreement. However, these payments to the jail do not meet the requirements of Activities Allowed or Allowable Cost under the guidance provided in the Federal Register Volume 86 as these expenses were already an established part of the county's budget and the actual payroll expenses, submitted for reimbursement, were not expenses incurred by the county. The Knott County Fiscal Court requested and received reimbursement totaling \$245,877 from the Coronavirus Relief Fund (CRF) for expenses that were not incurred by the fiscal court. These costs will be reported as questioned costs and result in a material non-compliance and a modified opinion for the county's compliance with Activities Allowed or Unallowed, Allowable Cost/Cost Principles, and Period of Performance compliance requirements for the major program identified for fiscal year ended June 30, 2021.

Due to the unprecedented nature of coronavirus relief efforts and since Coronavirus Relief Fund (CRF) payments have been deemed high risk by guidance in 2 CFR Part 200 Appendix XI, we tested all items submitted for reimbursement for CRF. Known questioned costs total \$245,877 and were computed using supporting documentation the entity submitted with the reimbursement request for Coronavirus Relief Fund.

Guidance for compliance with Coronavirus Relief Fund (CRF) distributions is outlined in 2 CFR Part 200 Appendix XI, which further directs auditees to the Frequently Asked Questions section of the Federal Register in order to determine allowability of costs in accordance with the goals and intentions of the federal program. Section 601(a) of the Social Security Act, as added by section 5001(a) of Division A of the Coronavirus Aid, Relief, and Economic Security (CARES) Act established the Coronavirus Relief Fund. Under the CARES Act, the Fund is to be used to make payments for specified uses to States and certain local governments. The CARES Act provides that payments from the Fund may only be used to cover costs that:

1. are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19);
2. were not accounted for in the budget most recently approved as of March 27, 2020; and
3. were incurred during the period that begins on March 1, 2020 and ends on December 31, 2021.

We recommend the Knott County Fiscal Court consult with the Department for Local Government to determine a satisfactory resolution to address these questioned costs. Further, we recommend the fiscal court establish adequate internal controls to ensure compliance with all requirements applicable to federal programs. We will refer this matter to the Department for Local Government.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: The KY Department of Local Government was appointed to administer these funds. These reimbursements were SUGGESTED AND APPROVED by the Kentucky Department of Local Government. The KCFC followed all procedures, violated no internal controls, and did as they were told by their regulatory agency (DLG). This absolutely should not be a finding on this audit.*

**Section IV: Summary Schedule of Prior Audit Findings**

None.

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

**KNOTT COUNTY FISCAL COURT**


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

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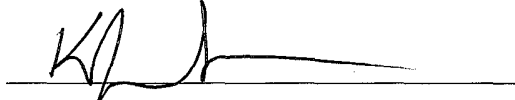
CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE  
KNOTT COUNTY FISCAL COURT

For The Year Ended June 30, 2021

The Knott 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