

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

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



**MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS
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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 Blake Durrett, LaRue County Judge/Executive

The Honorable Tommy Turner, Former LaRue County Judge/Executive

Members of the LaRue 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 LaRue County Fiscal Court, for the year ended June 30, 2021, and the related notes to the financial statement, which collectively comprise the LaRue 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.



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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 LaRue 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 LaRue 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 LaRue 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 LaRue County Fiscal Court. The Budgetary Comparison Schedules (supplementary information) and Schedule of Capital Assets (other information) are presented for purposes of additional analysis and are not a required part of the financial statement; however, they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

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

To the People of Kentucky
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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 13, 2022, on our consideration of the LaRue 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 LaRue 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 LaRue County Jailer Did Not Prepare Daily Check-Out Sheets For All Receipts Received And Did Not Deposit All Monies Received Into The Inmate Account
- 2021-002 The LaRue County Jailer Failed To Report Funds In The Correct Accounts
- 2021-003 The LaRue County Jailer's Year End Commissary Financial Report And Bank Reconciliations Were Not Accurate
- 2021-004 The LaRue County Fiscal Court And Jailer Did Not Follow Bidding Procedures Required By The Model Procurement Code
- 2021-005 The LaRue County Jail Commissary Lacks Adequate Segregation Of Duties

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", followed by a horizontal line.

Mike Harmon
Auditor of Public Accounts

June 13, 2022

LARUE COUNTY OFFICIALS
For The Year Ended June 30, 2021

Fiscal Court Members:

County Judge/Executive:

Tommy Turner

July 1, 2020 through August 31, 2020

Stephen Blake Durrett

September 16, 2020 through June 30, 2021

Ricky Whitlock

Magistrate

Gary T. Stewart

Magistrate

Earl Riggs

Magistrate

Glenn Larry Howell, Jr.

Magistrate

Other Elected Officials:

Kyle Williamson

County Attorney

James Underwood

Jailer

Rhonda Metcalf

County Clerk

Emily Ernst

Circuit Court Clerk

Russell McCoy

Sheriff

Scotty Lee

Property Valuation Administrator

Todd Skaggs

Coroner

Appointed Personnel:

Olivia Reed

County Treasurer

Renee Strock

Finance Officer

Clyde Veirs

Road Supervisor

Troy Williams

911 Coordinator

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

For The Year Ended June 30, 2021

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

For The Year Ended June 30, 2021

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	\$ 2,106,978	\$	\$
In Lieu Tax Payments	5,035		
Excess Fees	345,563		
Licenses and Permits	97,389		
Intergovernmental	2,539,598	1,676,118	1,110,335
Charges for Services	852,290		86,863
Miscellaneous	163,137	16,070	74,017
Interest	20,197	13,605	643
Total Receipts	<u>6,130,187</u>	<u>1,705,793</u>	<u>1,271,858</u>
DISBURSEMENTS			
General Government	789,455		
Protection to Persons and Property	1,383,217		1,567,386
General Health and Sanitation	306,466		
Social Services	10,576		
Recreation and Culture	98,787		
Roads		1,089,945	
Debt Service	78,175		123,980
Administration	1,152,626	249,928	427,611
Total Disbursements	<u>3,819,302</u>	<u>1,339,873</u>	<u>2,118,977</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>2,310,885</u>	<u>365,920</u>	<u>(847,119)</u>
Other Adjustments to Cash (Uses)			
Change to Payroll Revolving Account	(7,880)		
Transfers From Other Funds	400,000	45,933	960,265
Transfers To Other Funds	<u>(2,404,520)</u>	<u>(400,000)</u>	
Total Other Adjustments to Cash (Uses)	<u>(2,012,400)</u>	<u>(354,067)</u>	<u>960,265</u>
Net Change in Fund Balance	298,485	11,853	113,146
Fund Balance - Beginning (Restated)	<u>2,684,534</u>	<u>6,812</u>	<u>16,464</u>
Fund Balance - Ending	<u>\$ 2,983,019</u>	<u>\$ 18,665</u>	<u>\$ 129,610</u>
Composition of Fund Balance			
Bank Balance	\$ 1,897,441	\$ 72,166	\$ 134,083
Payroll Revolving Account Reconciled Balance	15,696		
Less: Outstanding Checks	(26,091)	(53,501)	(4,473)
Petty Cash Held By Jailer			
Certificates of Deposit	<u>1,095,973</u>		
Fund Balance - Ending	<u>\$ 2,983,019</u>	<u>\$ 18,665</u>	<u>\$ 129,610</u>

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

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

<u>Budgeted Funds</u>	<u>Unbudgeted Fund</u>	
<u>American</u>	<u>Jail</u>	<u>Total</u>
<u>Rescue</u>	<u>Commissary</u>	<u>Funds</u>
<u>Plan Act</u>	<u>Fund</u>	
<u>Fund</u>		
\$	\$	\$ 2,106,978
		5,035
		345,563
		97,389
		5,326,051
		939,153
	457,077	710,301
		34,445
	<u>457,077</u>	<u>9,564,915</u>
		789,455
		2,950,603
		306,466
		10,576
	384,018	482,805
		1,089,945
		202,155
		<u>1,830,165</u>
	<u>384,018</u>	<u>7,662,170</u>
	<u>73,059</u>	<u>1,902,745</u>
		(7,880)
1,398,322		2,804,520
		<u>(2,804,520)</u>
<u>1,398,322</u>		<u>(7,880)</u>
1,398,322	73,059	1,894,865
	88,642	2,796,452
<u>\$ 1,398,322</u>	<u>\$ 161,701</u>	<u>\$ 4,691,317</u>
\$ 1,398,322	\$ 160,643	\$ 3,662,655
		15,696
		(84,065)
	1,058	1,058
		<u>1,095,973</u>
<u>\$ 1,398,322</u>	<u>\$ 161,701</u>	<u>\$ 4,691,317</u>

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

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TO THE FINANCIAL STATEMENT**

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**LARUE COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2021

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

B. Basis of Accounting

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

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

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

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

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

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

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

LARUE 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)

American Rescue Plan Act (ARPA) Fund - The primary purpose of this fund is to account for funds received from an American Rescue Plan Act grant from the federal government.

Unbudgeted Fund

The fiscal court reports the following unbudgeted fund:

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

D. Budgetary Information

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

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

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

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

E. LaRue County Elected Officials

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

E. LaRue County Elected Officials (Continued)

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

F. Deposits and Investments

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

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

G. Long-term Obligations

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

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.

LARUE 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	Total Transfers In
General Fund	\$	\$ 400,000	\$ 400,000
Road Fund	45,933		45,933
Jail Fund	960,265		960,265
American Rescue Plan Act Fund	1,398,322		1,398,322
Total Transfers Out	<u>\$ 2,404,520</u>	<u>\$ 400,000</u>	<u>\$ 2,804,520</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. Custodial Fund

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

The fiscal court has the following custodial fund:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2021, was \$17,057.

Note 5. Long-term Debt

A. Direct Borrowings

1. Financing Obligation - Golf Course Renovations

On October 1, 2007, the LaRue County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) in the amount of \$1,072,000 to refinance the existing mortgage on the renovation of the golf course of the LaRue County Golf Association, Inc. (golf association). Principal is payable annually on January 20 and interest is payable monthly on the 20th of each month. The interest rate is variable. The maturity date of the lease is January 20, 2034. The agreement is secured by the fiscal court's security interest in the property being refinanced by the agreement. In the event of default, the KACoLT is entitled to the fiscal court's security interest in the property being refinanced. The fiscal court entered into a sublease on the same date with the golf association for the golf association to reimburse the fiscal court or make all rental payments and other charges owed by the fiscal court to KACoLT. As a provision of the sublease, on December 27, 2007, a mortgage was made between the golf association and the fiscal court conveying the covenant of general warranty for the property described in the mortgage to the fiscal court for the loan of \$1,072,000. The golf association will owe the principal plus interest due to be payable 30 years from date of sublease. In the event of default, the fiscal court will get the mortgaged property.

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

Note 5. Long-term Debt (Continued)

A. Direct Borrowings (Continued)

1. Financing Obligation - Golf Course Renovations (Continued)

The golf association makes the payments directly to the trustee for principal and interest of the obligation. During fiscal year 2021, the golf association paid debt service of \$78,175 on behalf of the LaRue County Fiscal Court. The outstanding principal balance as of June 30, 2021, was \$687,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 40,000	\$ 36,074
2023	40,000	33,963
2024	40,000	31,918
2025	45,000	29,637
2026	45,000	27,287
2027-2031	280,000	95,000
2032-2034	197,000	18,916
Totals	<u>\$ 687,000</u>	<u>\$ 272,795</u>

2. General Obligation Lease - Financing Program Revenue Bonds, 2011 Series A - Unrefunded Portion

On March 1, 2011, the LaRue County Fiscal Court entered into an agreement with the Kentucky Association of Counties Finance Corporation (corporation) for the purpose of refunding the General Obligation Improvement Bonds, Series of 1999, which were used to renovate the county courthouse and jail annex. The original principal was \$1,545,000 at 3.75 percent interest for a period of 20 years, with interest and principal paid monthly. Under Ordinance No. 220.05, the fiscal court authorized a partial refunding of this agreement in the amount of \$995,000 with proceeds from the agreement with the corporation funded by Financing Program Revenue Bonds, 2017 First Series G leaving an unrefunded portion of \$210,000. The unrefunded portion was paid in full during fiscal year 2021.

3. General Obligation Lease - Financing Program Revenue Bonds, 2017 First Series G

On December 20, 2017, LaRue County Fiscal Court entered into an agreement with the Kentucky Association of Counties Finance Corporation (Corporation) in the amount of \$1,030,000 to retire part of the Financing Program Revenue Bonds, Series 2011 A. The 2011 funds were refinanced for a lower interest rate resulting in savings of approximately \$72,210. Principal payments are due on the 20th of each month through fiscal year 2031. In the event of default, Corporation may take appropriate court action to enforce the pledge of the full faith, credit, and revenue of the fiscal court so that during the remaining lease term the fiscal court levies on all taxable property, in addition to other taxes, without limitation as to the rate or amount, a direct tax annually in an amount sufficient to pay the rental payments; take legal title to, and sell or re-lease the project or any portion thereof; or take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the project under this agreement or to enforce performance by the fiscal court of the applicable covenants and agreements of the fiscal court under this agreement and to recover damages for the breach of the agreement. The outstanding principal balance as of June 30, 2021, was \$960,000. Future principal and interest requirements are:

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

Note 5. Long-term Debt (Continued)

A. Direct Borrowings (Continued)

3. General Obligation Lease - Financing Program Revenue Bonds, 2017 First Series G (Continued)

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2022	\$ 82,500	\$ 42,317
2023	87,500	37,986
2024	92,500	33,393
2025	95,000	28,536
2026	100,000	23,549
2027-2031	<u>502,500</u>	<u>52,298</u>
Totals	<u>\$ 960,000</u>	<u>\$ 218,079</u>

B. Changes In Long-term Debt

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Direct Borrowings	\$ 1,764,500	\$	\$ 117,500	\$ 1,647,000	\$ 122,500
Total Long-term Deb	<u>\$ 1,764,500</u>	<u>\$ 0</u>	<u>\$ 117,500</u>	<u>\$ 1,647,000</u>	<u>\$ 122,500</u>

C. Aggregate Debt Schedule

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

<u>Fiscal Year Ended June 30</u>	<u>Direct Borrowings</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 122,500	\$ 78,391
2023	127,500	71,949
2024	132,500	65,311
2025	140,000	58,173
2026	145,000	50,836
2027-2031	782,500	147,298
2032-2034	<u>197,000</u>	<u>18,916</u>
Totals	<u>\$ 1,647,000</u>	<u>\$ 490,874</u>

LARUE 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 \$532,413, FY 2020 was \$620,221, and FY 2021 was \$711,906.

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.

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

Note 6. Employee Retirement System (Continued)

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:

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

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

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

Benefits are covered under KRS 78.5536 with exception of COLA and retiree health benefits after July 2003.

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

Note 6. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

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

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

LARUE 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 LaRue 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 LaRue County Fiscal Court established a health spending reimbursement on May 24, 2016, to provide employees an additional health benefit. The county has contracted with a third-party administrator to administer the plan. The plan provides reimbursement of up to \$15 for Tier 2 and \$50 for Tier 3 for eligible employees, to pay for qualified drug copays.

Note 9. Insurance

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

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

Note 10. Payroll Revolving Account

The change in balance of the payroll revolving account of (\$7,880) as of June 30, 2021, was added to the general fund cash balance for financial reporting purposes.

Note 11. Conduit Debt

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

Note 12. Prior Period Adjustments

The fund balance of the general fund as of June 30, 2020, of \$2,683,493 was adjusted by adding \$1,041 for prior year voided checks of \$1,040 and a rounding difference of \$1 resulting in a restated beginning fund balance of \$2,684,534.

The fund balance of the road fund as of June 30, 2020, of \$6,814, was adjusted by subtracting \$2 for a rounding difference resulting in a restated beginning fund balance of \$6,812.

The fund balance of the jail commissary fund as of June 30, 2020 of \$38,437, was adjusted by adding a net adjustment of \$50,205 for errors noted below resulting in a restated beginning fund balance of \$88,642

Errors To Prior Year:

Subtracted: DIT included that didn't exist	\$	(11,207)
Added: O/S checks included that didn't exist		3,158
Added: Petty Cash not included		203
Added: Profits from commissary sales in inmate account not included		58,051
		<hr/>
Net Adjustment	\$	<u>50,205</u>

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LARUE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2021

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LARUE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2021

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 2,168,000	\$ 2,168,000	\$ 2,106,978	\$ (61,022)
In Lieu Tax Payments	3,500	3,500	5,035	1,535
Excess Fees	122,560	122,560	345,563	223,003
Licenses and Permits	130,500	130,500	97,389	(33,111)
Intergovernmental	421,000	2,475,553	2,539,598	64,045
Charges for Services	880,000	880,000	852,290	(27,710)
Miscellaneous	122,000	122,000	163,137	41,137
Interest	43,500	43,500	20,197	(23,303)
Total Receipts	<u>3,891,060</u>	<u>5,945,613</u>	<u>6,130,187</u>	<u>184,574</u>
DISBURSEMENTS				
General Government	799,850	955,247	789,455	165,792
Protection to Persons and Property	1,301,900	1,530,902	1,383,217	147,685
General Health and Sanitation	298,100	338,783	306,466	32,317
Social Services	21,100	20,900	10,576	10,324
Recreation and Culture	126,750	166,750	98,787	67,963
Debt Service		9,000	78,175	(69,175)
Administration	1,476,600	1,498,553	1,152,626	345,927
Total Disbursements	<u>4,024,300</u>	<u>4,520,135</u>	<u>3,819,302</u>	<u>700,833</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(133,240)</u>	<u>1,425,478</u>	<u>2,310,885</u>	<u>885,407</u>
Other Adjustments to Cash (Uses)				
Change in Payroll Revolving Account			(7,880)	(7,880)
Transfers From Other Funds			400,000	400,000
Transfers To Other Funds	<u>(465,050)</u>	<u>(2,039,570)</u>	<u>(2,404,520)</u>	<u>(364,950)</u>
Total Other Adjustments to Cash (Uses)	<u>(465,050)</u>	<u>(2,039,570)</u>	<u>(2,012,400)</u>	<u>27,170</u>
Net Change in Fund Balance	(598,290)	(614,092)	298,485	912,577
Fund Balance - Beginning (Restated)	<u>598,290</u>	<u>614,092</u>	<u>2,684,534</u>	<u>2,070,442</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,983,019</u>	<u>\$ 2,983,019</u>

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

	ROAD FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 1,815,588	\$ 1,815,588	\$ 1,676,118	\$ (139,470)
Charges for Services	1,500	1,500		(1,500)
Miscellaneous	37,000	37,000	16,070	(20,930)
Interest	22,000	22,000	13,605	(8,395)
Total Receipts	<u>1,876,088</u>	<u>1,876,088</u>	<u>1,705,793</u>	<u>(170,295)</u>
DISBURSEMENTS				
Roads	1,614,150	1,649,242	1,089,945	559,297
Administration	<u>350,800</u>	<u>336,641</u>	<u>249,928</u>	<u>86,713</u>
Total Disbursements	<u>1,964,950</u>	<u>1,985,883</u>	<u>1,339,873</u>	<u>646,010</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(88,862)</u>	<u>(109,795)</u>	<u>365,920</u>	<u>475,715</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds		20,933	45,933	25,000
Transfers To Other Funds			<u>(400,000)</u>	<u>(400,000)</u>
Total Other Adjustments to Cash (Uses)		<u>20,933</u>	<u>(354,067)</u>	<u>(375,000)</u>
Net Change in Fund Balance	(88,862)	(88,862)	11,853	100,715
Fund Balance - Beginning (Restated)	<u>88,862</u>	<u>88,862</u>	<u>6,812</u>	<u>(82,050)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 18,665</u>	<u>\$ 18,665</u>

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

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,597,000	\$ 1,597,000	\$ 1,110,335	\$ (486,665)
Charges for Services	259,250	259,250	86,863	(172,387)
Miscellaneous	65,000	65,000	74,017	9,017
Interest	500	500	643	143
Total Receipts	1,921,750	1,921,750	1,271,858	(649,892)
DISBURSEMENTS				
Protection to Persons and Property	1,737,400	1,795,385	1,567,386	227,999
Debt Service	134,000	134,000	123,980	10,020
Administration	550,400	647,680	427,611	220,069
Total Disbursements	2,421,800	2,577,065	2,118,977	458,088
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)				
	(500,050)	(655,315)	(847,119)	(191,804)
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	465,050	620,315	960,265	339,950
Total Other Adjustments to Cash (Uses)	465,050	620,315	960,265	339,950
Net Change in Fund Balance				
	(35,000)	(35,000)	113,146	148,146
Fund Balance - Beginning	35,000	35,000	16,464	(18,536)
Fund Balance - Ending	\$ 0	\$ 0	\$ 129,610	\$ 129,610

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

AMERICAN RESCUE PLAN ACT FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
DISBURSEMENTS				
Administration	\$	\$ 1,398,322	\$	\$ 1,398,322
Total Disbursements		1,398,322		1,398,322
Other Adjustments to Cash (Uses)				
Transfers From Other Funds		1,398,322	1,398,322	
Total Other Adjustments to Cash (Uses)		1,398,322	1,398,322	
Net Change in Fund Balance			1,398,322	1,398,322
Fund Balance - Beginning				
Fund Balance - Ending	\$ 0	\$ 0	\$ 1,398,322	\$ 1,398,322

LARUE 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

General fund, debt service line item, exceeded budgeted appropriations by \$69,175 due to debt payments made on behalf of fiscal court by third party.

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LARUE COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2021

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LARUE 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	\$ 1,045,890	\$	\$	\$ 1,045,890
Buildings and Land Improvements	9,863,813			9,863,813
Vehicles and Equipment	2,139,622	249,000	52,926	2,335,696
Other Equipment	1,960,197	367,979	145,340	2,182,836
Infrastructure	10,238,016	418,994		10,657,010
 Total Capital Assets	 <u>\$ 25,247,538</u>	 <u>\$ 1,035,973</u>	 <u>\$ 198,266</u>	 <u>\$ 26,085,245</u>

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

June 30, 2021

Note 1. Capital Assets

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

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Equipment	\$ 2,500	3-25
Vehicles	\$ 2,500	5-15
Infrastructure	\$ 20,000	10-50

**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 Blake Durrett, LaRue County Judge/Executive
The Honorable Tommy Turner, Former LaRue County Judge/Executive
Members of the LaRue 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 LaRue County Fiscal Court for the fiscal year ended June 30, 2021, and the related notes to the financial statement which collectively comprise the LaRue County Fiscal Court's financial statement and have issued our report thereon dated June 13, 2022.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2021-001, 2021-002, and 2021-05 material weaknesses.



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

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the LaRue County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2021-001, 2021-002, 2021-03, and 2021-004.

Views of Responsible Officials and Planned Corrective Action

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

Purpose of this Report

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

Respectfully submitted,

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

Mike Harmon
Auditor of Public Accounts

June 13, 2022

**LARUE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2021

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**LARUE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2021

FINANCIAL STATEMENT FINDINGS:

2021-001 The LaRue County Jailer Did Not Prepare Daily Check-Out Sheets For All Receipts Received And Did Not Deposit All Monies Received Into The Inmate Account

This is a repeat finding and was included in the prior year audit report as finding 2020-002. The LaRue County Jailer did not prepare daily checkout sheets for two of five days tested. Also, inmate monies collected by bookkeeper were not deposited daily. When an inmate is arrested and booked, the cash on the inmate is collected, put in an envelope, and placed in the safe. The bookkeeper deposits the money from the safe on Mondays and Fridays. Therefore, if an inmate is released before monies are deposited, the bookkeeper will contact the inmate. However, if the inmate doesn't return to collect the monies, the monies will stay in the safe. The bookkeeper does not document her attempts to contact the inmate. The June 30, 2021 inmate account bank reconciliation included outstanding checks that date back to February 27, 2019. Total stale dated checks for inmate refunds are \$6,437 as of June 30, 2021. The bookkeeper did not transfer money abandoned by inmates after their release from the inmate account to the commissary account.

The LaRue County Jail used this money as a petty cash fund during fiscal year 2021. As of March 17, 2022, the balance of the petty cash fund in bank bag was \$2,522. The bookkeeper maintains a folder with copies of invoices and receipts for the fund; however, no log was kept documenting each transaction that went through the fund. The source of the petty cash fund mainly came from inmate monies not disbursed after an inmate was released from jail. The bookkeeper would wait between six months to a year to transfer the monies from the safe to the petty cash fund. In addition, reimbursements for inmate transports and recycling receipts were included in petty cash. The petty cash fund was used to make purchases. To make a purchase out of the petty cash fund, an employee would either go to the bookkeeper and tell her what they were purchasing or bring a receipt back to the bookkeeper to be reimbursed. The bookkeeper then would take monies out of the bank bag that contained the cash and give it to the employee. The employee would bring the bookkeeper back the receipt and change from the transaction. The bookkeeper and either jailer or major would sign off on the purchase. Additionally, inmate refunds were made in cash without maintaining any documentation. On March 17, 2022, the bookkeeper deposited \$2,728, which consisted of all the money that was in bank bag and the money in the safe.

The jailer and bookkeeper were not aware all receipts should be documented, accounted for on a daily checkout sheet, and deposited daily. The bookkeeper stated she started the petty cash fund in 2019 with funds from released inmates that had monies in the safe but had not come back and collected those monies from the jail. The bookkeeper and jailer were unaware that the bookkeeper couldn't keep cash and had to deposit all monies to an official bank account. They also weren't aware all expenditures were to be paid by check and not by cash, including refunds to inmates. In addition, the jailer did not have a policy to handle outstanding stale dated checks.

When deposits are not made timely intact and checkout sheets are not prepared daily, the risk of misappropriation of funds and the opportunity for theft is increased. Since no documentation was maintained for all receipts, the petty cash fund as of June 30, 2021, may not be correct. In addition, having a petty cash fund allowed the following to occur:

- The cash was available for the jailer or other employees to access at any time.
- All receipts were not included on the financial statement since they weren't deposited and recorded daily.
- The jailer paid for disbursements by cash; therefore, they were not recorded and included on the financial statement.
- By not handling inmate refunds correctly, the chance of errors or fraud increases. Also, the jailer can miss out on monies that could be transferred to the commissary account a year after the date the check is mailed or an attempt to call is made.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2021-001 The LaRue County Jailer Did Not Prepare Daily Check-Out Sheets For All Receipts Received And Did Not Deposit All Monies Received Into The Inmate Account (Continued)

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. Pursuant to KRS 68.210, the state local finance officer has prescribed minimum accounting and reporting standards in Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual*. The manual requires "[d]aily deposits intact into a federally insured banking institution." It also states for jail commissaries that, "[d]aily deposits are required. At the end of each business day the Jailer or assigned personnel should separate individual receipts into categories listed on the check-out sheet." Additionally, good internal controls over receipts dictate that deposits should be made daily to reduce the risk of misappropriation of cash, which is the asset most susceptible to possible theft.

KRS 441.137(1) states, "[f]or any moneys in an inmate account or prisoner canteen account of a jail that are not returned to a prisoner at the time he or she is released from jail, the jailer shall transmit a check for the balance of the moneys by first class mail to the released prisoner at his or her last known address. If the check is returned as undeliverable, then the jailer shall attempt to contact the prisoner at a telephone number on file, if any, to arrange the return of the moneys. If the moneys are not claimed after the jailer fulfills these requirements of this subsection, the moneys shall be presumed abandoned after one (1) year after the date the check is mailed or, if an attempt to call is made, the date of the phone call." KRS 441.137(2) states, "[a]ny abandoned moneys as set out in subsection (1) of this section shall, if in a prisoner account, be transferred into the canteen account if these are two (2) different account, or shall remain in the canteen account and be available for the purposes set out in KRS 441.135."

KRS 441.135(2) allows the canteen account to be used, "[f]or the benefit and to enhance the well-being of the prisoners" and "[t]o enhance safety and security within the jail."

We recommend the jailer deposit all funds intact daily, prepare daily checkout sheets for all monies collected in both commissary and inmate accounts, and pay all disbursements including inmate refunds with checks instead of cash. We also recommend the jailer document the dates and contact method for each inmate's outstanding balance and follow the requirements of KRS 441.137.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: No Further Comment. Jailer is responsible for Commissary Account.

Jailer's Response: Any and all types of money received on a daily basis is deposited on (daily basis) including money put in safe. (Safe money was only checked on deposited on Mondays and Fridays).

2021-002 The LaRue County Jailer Failed To Report Funds In The Correct Accounts

The jailer failed to account for profits from commissary sales and reimbursements from a staffing agency in the correct accounts. The jailer maintains two separate bank accounts, the inmate account and the commissary account, to account for funds received from inmates. As of June 30, 2021, the inmate account had a reconciled balance of \$122,948. Based on the June 30, 2021 printout of the inmate account balances, the inmate bank account has \$17,057 belonging to inmates as of June 30, 2021, leaving \$105,891 in the inmate bank account that are profits from commissary sales that have not been transferred to the commissary bank account. In addition, during fiscal year 2021, the jailer deposited \$12,789 of receipts to the commissary bank account that should have been deposited to the jail fund. These funds were reimbursement from a staffing agency for expenses incurred transporting prisoners for work release.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2021-002 The LaRue County Jailer Failed To Report Funds In The Correct Accounts (Continued)

This deficiency was able to occur due to the lack of oversight and review of the monthly reconciliations. By paying expenditures other than for inmates from the inmate account, private monies could be used for a public purpose leaving inadequate funds to pay balances to the inmates. Additionally, the balance of the inmate account, commissary account, and jail fund are misstated by leaving commissary profits in the inmate account and the reimbursements for staffing in the commissary account. This deficiency results in receipts and ending balance of the jail commissary fund and the jail fund being misstated on the financial statement. These misstatements are not material and have not been adjusted in the financial statement. This deficiency also allows an opportunity for cash to be diverted or misappropriated.

Good internal controls dictate that separate bank accounts be maintained for restricted funds. The inmate account should be used for all inmate moneys received and disbursed as refunds or transfers to the commissary account for commissary purchases by the inmates and jail fees collected from the inmates for payment to the county treasurer. No other receipts should be deposited into this account and no other disbursements should be made from it. Deposits to the commissary account should only consist of transfers from inmate accounts for commissary purchases and any other monies relating to commissary activity. Any monies collected for reimbursement of disbursements should be deposited to the account that made the disbursements. In addition, KRS 64.850 states “[i]t shall be unlawful for county official to deposit public funds with individual or private funds in any bank or other depository or for any such official to withdraw public funds for any purpose other than which they were received and deposited.”

We recommend the jailer avoid comingling inmate, commissary, and jail fund collections by depositing inmate moneys only to the inmate account and issuing checks from the inmate account only for refunds, payments to the county treasurer, and transfers to the commissary account for profits from commissary sales. All other receipts should be deposited to the commissary account or jail fund and all other disbursements should be made from the commissary account by check. In addition, we recommend the jailer transfer \$105,891 profits from commissary sales from the inmate account to the commissary account and transfer \$12,789 reimbursement of expenses from the commissary account to the jail fund.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: No Further Comment. Jailer is responsible for Commissary Account.

Jailer's Response: At the time of finding, was fixed immediately. Revenue from certain sales was kept in same trust account. Transferred to Revenue/Profit Acct.

2021-003 The LaRue County Jailer's Year End Commissary Financial Report And Bank Reconciliations Were Not Accurate

The jailer presented an annual summary for the jail commissary fund to the county treasurer as required; however, it did not contain sufficient detail to meet the requirements prescribed by the Department for Local Government (DLG). The report only included a total for receipts and disbursements from the inmate account which included some credit card deposits twice and included activity that wasn't needed. In addition, only the commissary activity of the inmate account was included. The annual summary did not include the commissary activity from the commissary account. In addition, the jailer's bank reconciliations were not accurate. Items were included on the reconciliations that had previously cleared the bank prior to June 30, 2021, or had been voided. Bank reconciliations should account for only outstanding checks and deposits in transit that have not cleared the bank as of June 30, 2021.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2021-003 The LaRue County Jailer's Year End Commissary Financial Report And Bank Reconciliations Were Not Accurate (Continued)

The bookkeeper wasn't aware that her report was required to include all commissary activity. Also, as described in finding 2021-002; the bookkeeper has incorrectly used the inmate account and did not transfer all profits to the commissary account. As a result, the year-end financial report did not reflect actual receipts and disbursements of the jail commissary fund. Inaccurate bank reconciliations can leave the jail with an inaccurate understanding of its financial position.

KRS 441.135(2)(b) states, in part, "...[t]he jailer shall keep books of accounts of all receipts and disbursements from the canteen and shall annually report to the county treasurer on the canteen account." KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. Pursuant to KRS 68.210, the state local finance officer has prescribed minimum accounting and reporting standards in the DLG's *County Budget Preparation and State Local Finance Officer Policy Manual*. The manual requires a jail commissary fund year to date summary compiled with information obtained from totaled categories from the receipts and disbursements journals. The ending balance reported on the summary is reconciled to the bank balance. This summary is sufficient to use as the year-end report that is submitted to the county treasurer.

We recommend the jailer submit a detailed and accurate annual financial statement to the county treasurer for the jail commissary fund. The financial statement should be compiled using financial information from receipts and disbursement journals, with the ending balance reconciled to the bank balance. We also recommend the jailer prepare bank reconciliations using only items which have not cleared the bank. All items that have cleared the bank should be removed from the reconciliation.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: No Further Comment. Jailer is responsible for Commissary Account.

Jailer's Response: Outstanding balances were not removed/deleted from physical accounts. However, balances were always accurate on reconciliations.

2021-004 The LaRue County Fiscal Court And Jailer Did Not Follow Bidding Procedures Required By The Model Procurement Code

The fiscal court and jailer are not in compliance with the model procurement code adopted by the county related to bidding and contracts. The jail did not request bids for the following items for fiscal year 2021:

- Disbursements of \$191,194 for the detention center's medical service program.
- Disbursements of \$191,360 for the detention center's food service program.
- Disbursements of \$42,639 for the telecommunication services for inmates' text, picture, and email services.
- Disbursements of \$73,367 for e-cigarettes for inmates.
- Disbursements of \$169,322 for the commissary vendor.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2021-004 The LaRue County Fiscal Court And Jailer Did Not Follow Bidding Procedures Required By The Model Procurement Code (Continued)

These exceptions occurred due to lack of management oversight over bidding and contract procedures and the jailer was not aware that food services, telecommunication services, and commissary items were required to be bid. Medical services are considered to be a professional service which requires a written determination that competition was not feasible. As a result, the fiscal court and jailer were not in compliance with the model procurement code adopted by the fiscal court related to bidding and contracts. In addition, the fiscal court and jailer may not have received the best value for services or products provided.

The LaRue County Fiscal Court has adopted the provisions of the Kentucky Model Procurement Code under KRS 45A.345 to KRS 45A.460. KRS 45A.365(1) states, in part, “[a]ll contracts or purchases shall be awarded by competitive sealed bidding, which may include the use of a reverse auction, except as otherwise provided by KRS 45A.370 to 45A.385....” The procurements described in this finding did not comply with the requirements of other non-bidding alternatives allowed in 45A.370 to 45A.385.

We recommend the fiscal court follow the model procurement code adopted by the county.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive’s Response: The LaRue County Fiscal Court will include annual bids each year for all items noted to assist the LaRue County Jailer in proper procurement through the model procurement code.

Jailer’s Response: Judge Executive will decide on this/take care of.

2021-005 The LaRue County Jail Commissary Lacks Segregation Of Duties

This is a repeat finding and was included in the prior year audit report as finding 2020-001. The LaRue County Jail Commissary lacks adequate segregation over all jail commissary accounting functions. The jailer’s bookkeeper receives the mail, collects cash, issues receipts, prepares and deposit receipts, writes and signs checks, and prepares bank reconciliations. The bookkeeper also posts to the receipts and disbursements ledger. The jailer or major initials bank reconciliations, bank statements, receipts, invoices for disbursements, and daily checkout sheets. While the jail commissary has compensating controls, the controls in place are not effective. The controls in place did not catch errors such as deposits not being made intact daily as in finding 2021-001, not reporting funds in the correct accounts as in finding 2021-002, and incorrect bank reconciliations and year-end report as in finding 2021-003.

According to the jailer’s bookkeeper, this condition is a result of a limited budget, which restricts the number of employees the jailer can hire and limits the delegation of duties. The lack of oversight could result in undetected misappropriation of assets and inaccurate financial reporting to the fiscal court.

A proper segregation of duties over the accounting functions or implementing compensating controls, when necessary because of a limited number of staff is essential for providing protection from undetected errors occurring. Additionally, a proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2021-005 The LaRue County Jail Commissary Lacks Segregation Of Duties (Continued)

We recommend the jailer segregate the duties of preparing deposits, recording receipts, preparing the bank reconciliations, and signing checks. If segregation of duties is not feasible due to lack of staff, we recommend the jailer implement effective compensating controls to offset the lack of segregation of duties.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: No Further Comment. Jailer is responsible for Commissary Account.

Jailer's Response: The official did not provide a response.