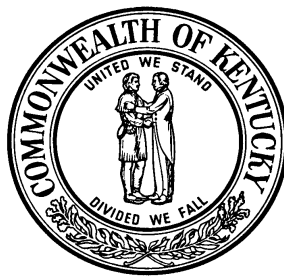


**REPORT OF THE AUDIT OF THE
MASON COUNTY
FISCAL COURT**

**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 Owen McNeill, Mason County Judge/Executive
Members of the Mason County Fiscal Court

The enclosed report prepared by Kelley Galloway Smith Goolsby, PSC presents the financial statement of Mason County, Kentucky, for the year ended June 30, 2021.

We engaged Kelley Galloway Smith Goolsby, PSC to perform the audit of this financial statement. We worked closely with the firm during our report review process; Kelley Galloway Smith Goolsby, PSC evaluated the Mason County Fiscal Court's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

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

Mike Harmon
Auditor of Public Accounts

Enclosure



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Independent Auditor's Report

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

Report on the Financial Statement

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

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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

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

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

As described in Note 1 of the financial statement, the financial statement is prepared by the Mason 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 Mason 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 Mason 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 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 Mason 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 the 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 Owen McNeill, Mason County Judge/Executive
Members of the Mason 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 April 26, 2022, on our consideration of the Mason 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 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 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 Mason County Fiscal Court's internal control over financial reporting and compliance.

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

- 2021-001 The Road Fund Had A Negative Reconciled Fund Balance of (\$33,568)
- 2021-002 The Fourth Quarter Liabilities Journal Was Materially Misstated
- 2021-003 The Schedule Of Expenditures Of Federal Awards (SEFA) Was Materially Misstated

Kelley Dalloway Smith Dalloway, PSC

Ashland, Kentucky
April 26, 2022

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

Joseph P. Pfeffer	County Judge/Executive - 7/1/20-1/31/21
Owen McNeill	County Judge/Executive - 3/1/21-Current
Joseph McKay	Commissioner
Phil Day	Commissioner
Chris O'Hearn	Commissioner

Other Elected Officials:

John Estill	County Attorney
Lisa Kern-Yearly	Jailer
Stephanie Schumacher	County Clerk
Kirk Tolle	Circuit Court Clerk
Patrick Boggs	Sheriff
Troy Cracraft	Property Valuation Administrator
David Lawrence	Coroner

Appointed Personnel:

Kim Muse	County Treasurer
Megan Davenport	Finance Officer

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

For The Year Ended June 30, 2021

MASON 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	\$ 3,925,330	\$	\$
In Lieu Tax Payments	17,619		
Excess Fees	262,371		
Licenses and Permits	47,152		
Intergovernmental	471,478	964,939	1,169,706
Charges for Services	13,371	19,835	15,506
Miscellaneous	642,427	51,310	110,580
Interest	3,512	81	56
Total Receipts	<u>5,383,260</u>	<u>1,036,165</u>	<u>1,295,848</u>
DISBURSEMENTS			
General Government	1,383,277		
Protection to Persons and Property	470,675		2,035,822
General Health and Sanitation	93,742		
Social Services			
Recreation and Culture	35,715		
Roads		1,871,059	
Airports			
Debt Service	67,489		
Capital Projects	151,295		
Administration	1,846,725	317,807	668,002
Total Disbursements	<u>4,048,918</u>	<u>2,188,866</u>	<u>2,703,824</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements Before Other Adjustments to Cash (Uses)	<u>1,334,342</u>	<u>(1,152,701)</u>	<u>(1,407,976)</u>
Other Adjustments to Cash (Uses)			
Bond and Lease Proceeds	128,016		
Transfers From Other Funds	507,174	999,098	1,350,000
Transfers To Other Funds	(3,013,916)		
Total Other Adjustments to Cash (Uses)	<u>(2,378,726)</u>	<u>999,098</u>	<u>1,350,000</u>
Net Change in Fund Balance	(1,044,384)	(153,603)	(57,976)
Fund Balance - Beginning (Restated)	<u>3,095,196</u>	<u>120,035</u>	<u>165,588</u>
Fund Balance - Ending	<u>\$ 2,050,812</u>	<u>\$ (33,568)</u>	<u>\$ 107,612</u>
Composition of Fund Balance			
Bank Balance	\$ 1,292,172	\$ 73,748	\$ 108,104
Plus: Deposits In Transit			
Less: Outstanding Checks	(191,360)	(107,316)	(492)
Certificates of Deposit	950,000		
Fund Balance - Ending	<u>\$ 2,050,812</u>	<u>\$ (33,568)</u>	<u>\$ 107,612</u>

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

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

Budgeted Funds						
LGEA Fund	State Grants Fund	Federal Fund	Solid Waste Fund	Landfill Fund	Garbage Collections Fund	ARPA Fund
\$	\$	\$	\$	\$ 14,950	\$	\$
			2,159			
145,999		2,470,079		123,517		
				1,953,279	460,721	
38,786		42,124	39,470	5,535		
44			20	6,466	53	
184,829		2,512,203	41,649	2,103,747	460,774	
34,248		225,468				
79,346		53,770				
62,900			164,336	1,733,501	440,138	
28,536						
213,985						
11,950						
8,000						
1,171				368,441		
				786,278	335,345	
36,524			97,956	522,282	150,248	
476,660		279,238	262,292	3,410,502	925,731	
(291,831)		2,232,965	(220,643)	(1,306,755)	(464,957)	
				660,291	143,000	
274,500			200,000		230,000	1,657,824
(8,349)		(2,240,891)				
266,151		(2,240,891)	200,000	660,291	373,000	1,657,824
(25,680)		(7,926)	(20,643)	(646,464)	(91,957)	1,657,824
102,398	16,293	209,333	58,395	6,340,101	158,134	-
\$ 76,718	\$ 16,293	\$ 201,407	\$ 37,752	\$ 5,693,637	\$ 66,177	\$ 1,657,824
\$ 80,609	\$ 16,293	\$ 201,407	\$ 37,752	\$ 4,147,432	\$ 65,811	\$ 1,657,824
					1,084	
(3,891)				(107,660)	(718)	
				1,653,865		
\$ 76,718	\$ 16,293	\$ 201,407	\$ 37,752	\$ 5,693,637	\$ 66,177	\$ 1,657,824

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

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

	Unbudgeted Funds		
	Public	Jail	
	Properties	Commissary	Total
	Corporation	Fund	Funds
	Fund		
RECEIPTS			
Taxes	\$	\$	\$ 3,940,280
In Lieu Tax Payments			17,619
Excess Fees			262,371
Licenses and Permits			49,311
Intergovernmental	423,044		5,768,762
Charges for Services			2,462,712
Miscellaneous	1,128	289,992	1,221,352
Interest	45	108	10,385
Total Receipts	424,217	290,100	13,732,792
DISBURSEMENTS			
General Government			1,642,993
Protection to Persons and Property			2,639,613
General Health and Sanitation			2,494,617
Social Services			28,536
Recreation and Culture		282,675	532,375
Roads			1,883,009
Airports			8,000
Debt Service	486,031		923,132
Capital Projects			1,272,918
Administration	30		3,639,574
Total Disbursements	486,061	282,675	15,064,767
Excess (Deficiency) of Receipts Over (Under) Disbursements Before Other Adjustments to Cash (Uses)	(61,844)	7,425	(1,331,975)
Other Adjustments to Cash (Uses)			
Bond and Lease Proceeds	1,737,673		2,668,980
Transfers From Other Funds	44,560		5,263,156
Transfers To Other Funds			(5,263,156)
Total Other Adjustments to Cash (Uses)	1,782,233		2,668,980
Net Change in Fund Balance	1,720,389	7,425	1,337,005
Fund Balance - Beginning (Restated)	30,833	246,373	10,542,679
Fund Balance - Ending	\$ 1,751,222	\$ 253,798	\$ 11,879,684
Composition of Fund Balance			
Bank Balance	\$ 1,751,222	\$ 254,578	\$ 9,686,952
Plus: Deposits In Transit			1,084
Less: Outstanding Checks		(780)	(412,217)
Certificates of Deposit			2,603,865
Fund Balance - Ending	\$ 1,751,222	\$ 253,798	\$ 11,879,684

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

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TO THE FINANCIAL STATEMENT**

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**MASON COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2021

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

MASON 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)

Local Government Economic Assistance (LGEA) 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 grants and related disbursements. The primary source of receipts for this fund are grants from the state.

Federal Fund - The primary purpose of this fund is to account for grants and related disbursements. The primary sources of receipts for this fund are federal grants.

Solid Waste Fund - The primary purpose of this fund is to account for activities related to solid waste management at the recycling center. The recycling center sells recyclable materials such as cardboard and aluminum to various vendors.

Landfill Fund - The primary purpose of this fund is to account for the activities of the Mason County - Maysville Landfill.

Garbage Collections Fund - The primary purpose of this fund is to account for the activities of the Mason County Garbage Collections service.

ARPA Fund - The primary purpose of this fund is to account for ARPA grants and related disbursements. The primary sources of receipts for this fund are federal grants.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

Public Properties Corporation Fund - This fund is used to account for the activity of the Mason County Public Properties Corporation (MRPPC). Receipts and disbursements of this fund are generally restricted for specific purposes, such as issuance of debt for construction projects. The Department for Local Government does not require the fiscal court to budget this 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.

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

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information (Continued)

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.

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

E. Mason County Elected Officials

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

G. Long-term Obligations

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

H. Related Obligations and Joint Ventures

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on this criteria, the following are considered related organizations of the Mason County Fiscal Court: Western Mason Water District and Western Lewis-Rectorville Water District

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 are considered joint ventures of the Mason County Fiscal Court: Mason County - City of Maysville Tourism Commission, Mason County - City of Maysville Industrial Development, Mason County - City of Maysville Parks and Recreation, Mason County - City of Maysville Ambulance Service, Mason County - City of Maysville Planning and Zoning Commission, Mason County - City of Maysville E-911, and Fleming - Mason Airport.

I. Interlocal Agreement

In August 2016, Mason County and the City of Maysville (City) entered into an Interlocal Agreement in order to provide financing for the City's sewer system for the landfill property. This would fund the development and construction of an extension of the City's sewer system for the landfill property to transport leachate from the landfill for treatment by the City. Per terms of the agreement, Mason County will provide sufficient funds to the City for payment of principal and interest to satisfy such indebtedness. The funds will be paid by the county from the landfill account.

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.

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

Note 2. Deposits (Continued)

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.

Note 3. Transfers

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

	General Fund	LGEA Fund	Federal Fund	Total Transfers In
General Fund	\$	\$	\$ 507,174	\$ 507,174
Road Fund	925,000		74,098	999,098
Jail Fund	1,350,000			1,350,000
Local Government Economic Assistance Fund	272,705		1,795	274,500
Solid Waste Fund	200,000			200,000
Garbage Collections Fund	230,000			230,000
ARPA Fund			1,657,824	1,657,824
Public Properties Corporation Fund	36,211	8,349		44,560
Total Transfers Out	<u>\$3,013,916</u>	<u>\$ 8,349</u>	<u>\$2,240,891</u>	<u>\$ 5,263,156</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 Funds

Custodial funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments.

The fiscal court has the following custodial funds:

Employees' Christmas Club Account - This fund accounts for funds voluntarily withheld from the employees' wages and deposited in the bank until funds are annually paid to the employees. The balance in the Employees' Christmas Club Account as of June 30, 2021, was \$13,580.

FSA/HRA Account - This fund accounts for employee and employer contributions to provide employees an additional health benefit. The county has contracted with a third-party administrator to administer the plan. The plan provides a debit card to each eligible employee providing \$750 each year for a single plan and \$2,000 each year for a family plan to pay for qualified medical expenses. Employees may also contribute additional pre-tax funds through payroll deduction. The balance in the FSA/HRA account as of June 30, 2021, was \$9,663.

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

Note 4. Custodial Funds (Continued)

Jail Fees Account - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2021, was \$56,783.

Note 5. Long-term Debt

A. Direct Borrowings and Direct Placements

1. Elderly Housing Phase I (Buffalo Trace Area Development District)

In December 1998, the Mason County Public Properties Corporation entered into a note with Buffalo Trace Area Development District, for rehabilitation of housing for the elderly. The note was for \$42,000 with an interest rate of 2.00% per year. The agreement requires annual payments of principal and interest on September 30 of each year. Whenever there is a default under this note or under any instrument security in its repayment, the entire principal balance and all accrued interest on this note become due and payable. Upon the occurrence of any such default, the rate of interest applicable to the entire unpaid principal balance of this note shall be increased by an increment of an additional 5.00% per annum. If there is any default under this note or any instrument securing it, and this note is placed in the hands of an attorney for collection, or is collected through any court, including any bankruptcy court, the maker promises to pay the holder hereof its reasonable attorney fees and court costs incurred in collecting or attempting to collect or securing or attempting to secure this note or enforcing the holder's rights in any collateral securing this note, provided the same is legally allowed by the laws of the Commonwealth of Kentucky or any state where the collateral or part thereof is situated. The total principal balance was \$0 as of June 30, 2021.

2. Elderly Housing Phase II (Kentucky Housing Corporation)

On March 1, 2006, the Mason County Fiscal Court entered into a lease agreement with Kentucky Housing Corporation (KHC) for rehabilitation of housing for the elderly. The lease was for \$136,000 with an interest rate of 3.50% per year. The agreement requires annual payments of principal and interest on August 1 of each year. If an event of default occurs, KHC may, without notice, declare all indebtedness secured to be immediately due and may enforce the lien of this mortgage. In any such case, KHC may enter the premises, rent it out, and collect and apply the rent and profits first to the payment of a reasonable compensation to KHC, including attorney's fees, and next to the satisfaction of the obligation secured by this mortgage, and such compensation and fees will become a part of the obligations secured by this mortgage. The total principal balance was \$85,427 as of June 30, 2021. Future principal and interest requirements are:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2022	\$ 4,409	\$ 2,920
2023	4,566	2,763
2024	4,728	2,600
2025	4,896	2,432
2026	5,070	2,258
2027 - 2031	28,188	8,454
2032 - 2036	33,570	3,072
Totals	<u>\$ 85,427</u>	<u>\$ 24,499</u>

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

Note 5. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

3. Elderly Housing Phase II (Buffalo Trace Area Development District)

On August 15, 2006, the Mason County Public Properties Corporation entered into a note with Buffalo Trace Area Development District, for Phase II housing for the elderly. The note was for \$20,000 with an interest rate of 3.00% per year. The agreement requires annual payments of principal and interest on August 15 of each year. If an event of default shall occur, the unpaid principal balance plus accrued interest may be declared due and payable by the lender without the necessity of any notice or action by the lender, and the lender shall have any and all of the remedies on an event of default provided by the law. The total principal balance was \$11,389 as of June 30, 2021. Future principal and interest requirements are:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2022	\$ 656	\$ 365
2023	676	346
2024	696	325
2025	717	304
2026	738	283
2027 - 2031	4,037	1,068
2032 - 2036	3,869	426
Totals	<u>\$ 11,389</u>	<u>\$ 3,117</u>

4. Landfill Construction Phases IV and V

On August 18, 2009, the Mason County Fiscal Court entered into a lease agreement with Fifth Third Bank for Landfill Phase IV and Phase V construction. The lease is for \$1,300,000 and requires a semi-annual payment of \$60,329, which includes 4.5% interest through and including July 15, 2013, and thereafter for each succeeding five-year period at a rate equal to the five-year interest rate for U.S. Treasury Obligations, as published by the lessor's treasury department, plus 227 basis points multiplied by .65, as calculated on July 15, 2013 and July 15, 2018. If the county fails to make any payment of base rent as it becomes due in accordance with the lease, or fails to perform or observe any other covenant, condition, or agreement to be performed or observed under this lease and the failure is not cured by the county within specified timeline, then the following remedies may be exercised by the lessor at its option: a) by written notice to the county, declare an amount equal to all amounts then due under this lease to be immediately due and payable; b) exercise any other right, remedy or privilege which may be available to it under the applicable laws of the state or any other applicable law or proceed by appropriate court action to enforce the terms of this lease or to recover damages for the breach of this lease as to any or all of the leased facilities. The principal balance was \$161,428 as of June 30, 2021. Future principal and interest requirements are:

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

Note 5. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

4. Landfill Construction Phases IV and V (Continued)

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2022	\$ 116,380	\$ 4,277
2023	45,048	735
Totals	<u>\$ 161,428</u>	<u>\$ 5,012</u>

5. Excavator

In July 2016, the Mason County Fiscal Court entered into a lease agreement with Caterpillar Financial Services Corporation to purchase an excavator. The lease is for \$206,054 at an interest rate of 2.89%. The agreement requires monthly payments of principal and interest over a period of five year. To secure the county's obligations under this agreement, they grant the lessor first priority security interest in the unit, including all attachments. The county must protect and defend the lessors security interest in the unit and keep the unit free and clear of any and all claims, liens, encumbrances and legal processes however and whenever arising. Upon an event of default, the lessor will have all rights and remedies available under applicable law and declare all lease payments due or to become due during the fiscal year to be immediately due and payable by the county. The principal balance was \$7,359 as of June 30, 2021. Future principal and interest requirements are:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2022	\$ 7,359	\$ 27
Totals	<u>\$ 7,359</u>	<u>\$ 27</u>

6. Articulated Truck

In July 2016, the Mason County Fiscal Court entered into a lease agreement with Caterpillar Financial Services Corporation to purchase an articulated truck. The lease is for \$453,635 at an interest rate of 2.890%. The agreement requires monthly payments of principal and interest over a period of five years. To secure the county's obligations under this agreement, they grant the lessor first priority security interest in the unit, including all attachments. The county must protect and defend the lessors security interest in the unit and keep the unit free and clear of any and all claims, liens, encumbrances and legal processes however and whenever arising. Upon an event of default, the lessor will have all rights and remedies available under applicable law and declare all lease payments due or to become due during the fiscal year to be immediately due and payable by the county. The principal balance was \$15,988 as of June 30, 2021. Future principal and interest requirements are:

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

Note 5. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

6. Articulated Truck (Continued)

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2022	\$ 15,988	\$ 256
Totals	<u>\$ 15,988</u>	<u>\$ 256</u>

7. Ameresco Energy Project

On August 31, 2017, the Mason County Fiscal Court entered into a lease agreement with U.S. Bancorp Government Leasing and Finance, Inc., to purchase equipment related to a project to improve energy efficiency. The lease is for \$450,000 at an interest rate of 2.613%. The agreement requires annual payments of principal and interest on August 31 of each year. To the extent permitted by law and to secure the performance of the county's obligations under this agreement, the county grants the lessor a security interest constituting a first lien on the county's interest in all of the equipment in this lease agreement. In the event of default, the lessor shall have the right to declare all lease payments to the end of the budget year to be due, the lessor may terminate the lease and enter the property and retake possession of the property, or the lessor may take any action that is permitted by applicable law to protect any of its rights under the agreement. The principal balance was \$350,203 as of June 30, 2021. Future principal and interest requirements are:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2022	\$ 35,019	\$ 9,151
2023	35,934	8,236
2024	36,873	7,297
2025	37,837	6,333
2026	38,825	5,345
2027 - 2030	<u>165,715</u>	<u>10,864</u>
Totals	<u>\$ 350,203</u>	<u>\$ 47,226</u>

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

Note 5. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

8. Sheriff's Vehicles

On December 7, 2018, the Mason County Fiscal Court entered into a lease agreement with U.S. Bancorp Government Leasing and Finance, Inc. to purchase police vehicles. The lease is for \$64,590 at an interest rate of 4.10%. The agreement requires annual payments of principal and interest over a period of three years. To secure the county's obligations under this agreement, they grant the lessor first priority security interest in the unit, including all attachments. The county must protect and defend the lessors security interest in the unit and keep the unit free and clear of any and all claims, liens, encumbrances and legal processes however and whenever arising. Upon an event of default, the lessor will have all rights and remedies available under applicable law and declare all lease payments due or to become due during the fiscal year to be immediately due and payable by the county. The principal balance was \$22,401 as of June 30, 2021. Future principal and interest requirements are:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2022	\$ 22,401	\$ 918
Totals	<u>\$ 22,401</u>	<u>\$ 918</u>

9. Compactor

On July 30, 2020, the Mason County Fiscal Court entered into a lease agreement with U.S. Bancorp Government Leasing and Finance, Inc. to purchase one 826K wheel dozer/compactor. The lease is for \$500,000 at an interest rate of 1.95%. The agreement requires annual payments of principal and interest on July 15 of each year. To the extent permitted by law and to secure the performance of the county's obligations under this agreement, the county grants the lessor a security interest constituting a first lien on the county's interest in all of the equipment in this lease agreement. In the event of default, the lessor shall have the right to declare all lease payments to the end of the budget year to be due, the lessor may terminate the lease and enter the property and retake possession of the property, and the lessor may take any action that is permitted by applicable law to protect any of its rights under the agreement. The principal balance was \$500,000 as of June 30, 2021. Future principal and interest requirements are:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2022	\$ 96,175	\$ 9,750
2023	98,051	7,875
2024	99,963	5,963
2025	101,912	4,013
2026	<u>103,899</u>	<u>2,026</u>
Totals	<u>\$ 500,000</u>	<u>\$ 29,627</u>

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

Note 5. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

10. Garbage Packer Truck

On July 21, 2020, the Mason County Fiscal Court entered into a lease agreement with U.S. Bancorp Government Leasing and Finance, Inc. to purchase a garbage packer truck. The lease is for \$143,000 at an interest rate of 1.95%. The agreement requires annual payments of principal and interest on July 30 of each year. To the extent permitted by law and to secure the performance of the county's obligations under this agreement, the county grants the lessor a security interest constituting a first lien on the county's interest in all of the equipment in this lease agreement. In the event of default, the lessor shall have the right to declare all lease payments to the end of the budget year to be due, the lessor may terminate the lease and enter the property and retake possession of the property, and the lessor may take any action that is permitted by applicable law to protect any of its rights under the agreement. The principal balance was \$143,000 as of June 30, 2021. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 27,506	\$ 2,789
2023	28,043	2,252
2024	28,589	1,705
2025	29,147	1,148
2026	29,715	579
Totals	<u>\$ 143,000</u>	<u>\$ 8,473</u>

11. Road Loader

On August 28, 2020, the Mason County Fiscal Court entered into a lease agreement with U.S. Bancorp Government Leasing and Finance, Inc. to purchase a road loader. The lease is for \$160,291 at an interest rate of 1.95%. The agreement requires annual payments of principal and interest on August 28 of each year. To the extent permitted by law and to secure the performance of the county's obligations under this agreement, the county grants the lessor a security interest constituting a first lien on the county's interest in all of the equipment in this lease agreement. In the event of default, the lessor shall have the right to declare all lease payments to the end of the budget year to be due, the lessor may terminate the lease and enter the property and retake possession of the property, and the lessor may take any action that is permitted by applicable law to protect any of its rights under the agreement. The principal balance was \$160,291 as of June 30, 2021. Future principal and interest requirements are:

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

Note 5. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

11. Road Loader (Continued)

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2022	\$ 30,832	\$ 3,126
2023	31,434	2,524
2024	32,046	1,911
2025	32,671	1,287
2026	<u>33,308</u>	<u>650</u>
Totals	<u>\$ 160,291</u>	<u>\$ 9,498</u>

12. Election Machines

On March 1, 2021, the Mason County Fiscal Court entered into a lease agreement with U.S. Bancorp Government Leasing and Finance, Inc. to purchase election machines. The lease is for \$128,016 at an interest rate of 1.95%. The agreement requires annual payments of principal and interest on March 1 of each year. To the extent permitted by law and to secure the performance of the county's obligations under this agreement, the county grants the lessor a security interest constituting a first lien on the county's interest in all of the equipment in this lease agreement. In the event of default, the lessor shall have the right to declare all lease payments to the end of the budget year to be due, the lessor may terminate the lease and enter the property and retake possession of the property, and the lessor may take any action that is permitted by applicable law to protect any of its rights under the agreement. The principal balance was \$128,016 as of June 30, 2021. Future principal and interest requirements are:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2022	\$ 41,850	\$ 2,496
2023	42,667	1,680
2024	<u>43,499</u>	<u>848</u>
Totals	<u>\$ 128,016</u>	<u>\$ 5,024</u>

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

Note 5. Long-term Debt (Continued)

B. Other Debt

1. First Mortgage Revenue Refunding Bonds Series 2007

In March 2007, the Mason County Public Properties Corporation issued \$4,910,000 first mortgage revenue refunding bonds for the purpose of paying the outstanding principal and interest of the Mason County Public Properties Corporation first mortgage revenue bonds, series 1999. Principal payments are due each year on March 1 and interest is payable each year on September 1 and March 1. The bonds are equally secured by the mortgage, without any preference, priority or distinction whatsoever of the lien thereof in favor of any one or more of the bonds over any one or more of the others, reference thereto being hereby made, but only for a particular description of the terms and conditions thereof on which the bonds are issued and secured and for a description of the securities therefor and of the rights of the holders in regard thereto. The total principal balance was \$1,695,000 as of June 30, 2021. Future principal and interest requirements are:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2022	\$ 315,000	\$ 65,257
2023	325,000	53,130
2024	335,000	40,618
2025	355,000	27,720
2026	<u>365,000</u>	<u>14,052</u>
Totals	<u>\$ 1,695,000</u>	<u>\$ 200,777</u>

2. First Mortgage Revenue Bonds (Courthouse Facility Project), Series 2017

In November 2017, the Mason County Public Properties Corporation issued \$657,000 first mortgage revenue bonds for the purpose of courthouse improvements. Principal payments are due each year on December 1 and interest is payable each year on June 1 and December 1. The bonds are secured by a foreclosable mortgage lien on the project. In the event of default, the mortgage shall be enforced, which may include foreclosure of the liens created by the mortgage and sale of the project. The total principal balance was \$452,000 as of June 30, 2021. Future principal and interest requirements are:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2022	\$ 71,000	\$ 11,038
2023	73,000	9,506
2024	74,000	7,852
2025	76,000	5,880
2026	78,000	3,570
2027	<u>80,000</u>	<u>1,200</u>
Totals	<u>\$ 452,000</u>	<u>\$ 39,046</u>

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

Note 5. Long-term Debt (Continued)

B. Other Debt (Continued)

3. First Mortgage Refunding Revenue Bonds Series 2021

In June 2021, Mason County Public Properties Corporation issued \$1,737,673 first mortgage revenue refunding bonds for the purpose of paying the outstanding principal and interest at 1.07% of the Mason County Public Properties Corporation first mortgage revenue bonds, series 2007. The bonds were not defeased until July 12, 2021. Principal payments are due each year on March 1 and interest is payable each year on September 1 and March 1. The bonds are equally secured by the mortgage, without any preference, priority or distinction whatsoever of the lien thereof in favor of any one or more of the bonds over any one or more of the others, reference thereto being hereby made, but only for a particular description of the terms and conditions thereof on which the bonds are issued and secured and for a description of the securities therefor and of the rights of the holders in regard thereto. The total principal balance was \$1,737,673 as of June 30, 2021. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 261,896	\$ 12,499
2023	362,338	15,791
2024	363,703	11,914
2025	374,697	8,022
2026	375,039	4,013
Totals	<u>\$ 1,737,673</u>	<u>\$ 52,239</u>

C. Aggregate Debt Schedule

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

Fiscal Year Ended June 30	Direct Borrowings and Direct Placements		Other Debt	
	Principal	Interest	Principal	Interest
2022	\$ 398,575	\$ 36,075	\$ 647,896	\$ 88,794
2023	286,419	26,411	760,338	78,427
2024	246,394	20,649	772,703	60,384
2025	207,180	15,517	805,697	41,622
2026	211,555	11,141	818,039	21,635
2027-2031	197,940	20,486	80,000	1,200
2032-2036	37,439	3,498		
Totals	<u>\$ 1,585,502</u>	<u>\$ 133,777</u>	<u>\$ 3,884,673</u>	<u>\$ 292,062</u>

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

Note 5. Long-term Debt (Continued)

D. 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	\$ 967,764	\$ 931,307	\$ 313,569	\$ 1,585,502	\$ 398,576
Other Debt	2,517,000	1,737,673	370,000	3,884,673	647,896
Total Long-term Debt	<u>\$ 3,484,764</u>	<u>\$ 2,668,980</u>	<u>\$ 683,569</u>	<u>\$ 5,470,175</u>	<u>\$ 1,046,472</u>

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 \$874,109, FY 2020 was \$1,011,323, and FY 2021 was \$1,062,435.

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.

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

Note 6. Employee Retirement System (Continued)

Nonhazardous (Continued)

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. 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%

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

Note 6. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1 (Continued)

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

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

Once members reach a minimum vesting period of 15 years, they earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually by 1.5 percent. 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 161.714 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.

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

Note 6. Employee Retirement System (Continued)

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, KRS will pay a \$5,000 death benefit payment to the beneficiary designated by the member specifically for this benefit. Members with multiple accounts are entitled to only one death benefit.

KRS Annual Financial Report and Proportionate Share Audit Report

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

KRS 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 Mason 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.

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

Note 8. Insurance

For the fiscal year ended June 30, 2021, the Mason County Fiscal Court was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 9. Landfill Closure And Post-Closure Care

Closure and Post-Closure Care Costs of Municipal Solid Waste Landfill

State and federal laws and regulations require the Mason County Fiscal Court to place a final cover on its Municipal Solid Waste Landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste.

Through an inter-local agreement with the City of Maysville, the Mason County Fiscal Court manages the operation and accounts for the Maysville-Mason County Landfill. The landfill consists of the following cells:

- 1) The 21.5 acre residual cell that was capped in the fiscal year ending 2001/2002 for \$932,718. Post-closure care costs are estimated at \$16,180.
- 2) The 41.0 acre contained cell has been operational since January 30, 1997. As of March 10, 2021, 38% of this cell's capacity had been used.
- 3) The residual/CDD cell is for Dayton Power and Light (DP&L) and has been operational since April 1, 2008. As of March 8, 2021, 62% of this cell's capacity had been used. DP&L is responsible for all closure costs for this cell. DP&L makes regular payments to Mason County to fund the closure costs.

401 KAR 48:310 Section 2 and 3 requires the owner or operator of a landfill to have a detailed written estimate, in current dollars, the cost of hiring a third party to close the solid waste disposal site and to conduct each phase of closure care monitoring and maintenance in accordance with the closure plan. Pursuant to the regulatory basis of accounting, as described in Note 1, no liability has been recognized on the financial statement for closure or post closure care costs. Mason County must comply with established state and federal closure procedures and must perform maintenance and monitoring procedures at the site for 30 years after closure.

The most recent estimated closure cost for the landfill is \$4,699,306 with estimated post-closure costs of \$1,990,740. Mason County is required to collect and segregate 15% of gross receipts of the landfill and account for it in a restricted landfill closure fund. The balance maintained for the closure of the contained cell and residual/CDD cell as of June 30, 2021 was \$3,036,530. The City of Maysville and Mason County will jointly fund post-closure costs.

The estimates above are based on information as of the audit date and can be altered based on inflation/deflation, technology, laws, and regulations.

Note 10. Related Party Transactions

The jailer's father owns a meat distributor. During fiscal year ended June 30, 2021, the Mason County Fiscal Court spent \$8,836 with the meat distributor. In addition, the jailer's brother owns the jail's food vendor. During fiscal year ended June 30, 2021, the Mason County Fiscal Court spent \$29,768 with this food vendor.

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

Note 11. Prior Period Adjustment

The beginning balances were restated and increased due to prior year voided checks for the general fund for \$594, the road fund for \$3,730, the jail fund for \$4,110, the LGEA fund for \$86, the landfill fund for \$304, and the garbage collections fund for \$208.

Note 12. Deficit Fund Balance

As of June 30, 2021, the Road Fund had a deficit fund balance in the amount of \$33,568. This deficit was due to disbursements in excess of available cash resources for the year, due to approved disbursement payments being prepared for items that exceeded the budget and a transfer from the General Fund not being approved until after year-end.

Note 13. Commitments and Contingencies

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. On March 6, 2020, the Governor of Kentucky declared a state of emergency and subsequently ordered all nonessential businesses closed on March 26, 2020, until further notice. The ultimate disruption which may be caused by the outbreak is uncertain; however, it may result in a material adverse impact on the county's financial operations. Possible effects may include, but are not limited to, disruption to the county's revenue in the form of property and occupational tax collections and absenteeism in the county's labor work force. While the county expects this matter to negatively impact its financial operations, the related impact cannot be reasonably estimated at this time.

The county is a defendant in various legal actions. The county's legal counsel believes these actions are without merit, adequately covered by insurance, or that the ultimate liability, if any, will not materially affect the county's financial statements.

Note 14. Subsequent Event

In July, 2021, the First Mortgage Revenue Refunding Bonds Series 2007 in the amount of \$1,695,000 were defeased.

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MASON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2021

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MASON 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	\$ 3,919,000	\$ 3,919,000	\$ 3,925,330	\$ 6,330
In Lieu Tax Payments	17,000	17,000	17,619	619
Excess Fees	167,577	167,577	262,371	94,794
Licenses and Permits	44,800	44,800	47,152	2,352
Intergovernmental	389,100	389,100	471,478	82,378
Charges for Services	6,500	6,500	13,371	6,871
Miscellaneous	381,000	381,000	642,427	261,427
Interest	1,500	1,500	3,512	2,012
Total Receipts	<u>4,926,477</u>	<u>4,926,477</u>	<u>5,383,260</u>	<u>456,783</u>
DISBURSEMENTS				
General Government	1,593,568	1,707,739	1,383,277	324,462
Protection to Persons and Property	535,700	562,866	470,675	92,191
General Health and Sanitation	102,500	105,453	93,742	11,711
Social Services	3,000	3,000		3,000
Recreation and Culture	46,000	46,000	35,715	10,285
Debt Service	106,000	124,000	67,489	56,511
Capital Projects	20,000	23,494	151,295	(127,801)
Administration	3,144,709	2,908,580	1,846,725	1,061,855
Total Disbursements	<u>5,551,477</u>	<u>5,481,132</u>	<u>4,048,918</u>	<u>1,432,214</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements Before Other Adjustments to Cash (Uses)	<u>(625,000)</u>	<u>(554,655)</u>	<u>1,334,342</u>	<u>1,888,997</u>
Other Adjustments to Cash (Uses)				
Lease Proceeds			128,016	128,016
Transfers From Other Funds			507,174	507,174
Transfers To Other Funds	<u>(3,075,000)</u>	<u>(3,075,000)</u>	<u>(3,013,916)</u>	<u>61,084</u>
Total Other Adjustments to Cash (Uses)	<u>(3,075,000)</u>	<u>(3,075,000)</u>	<u>(2,378,726)</u>	<u>696,274</u>
Net Change in Fund Balance	(3,700,000)	(3,629,655)	(1,044,384)	2,585,271
Fund Balance - Beginning (Restated)	<u>3,700,000</u>	<u>3,700,000</u>	<u>3,095,196</u>	<u>(604,804)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 70,345</u>	<u>\$ 2,050,812</u>	<u>\$ 1,980,467</u>

MASON 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	\$ 1,618,773	\$ 1,618,773	\$ 964,939	\$ (653,834)
Charges for Services	20,000	20,000	19,835	(165)
Miscellaneous	76,000	76,000	51,310	(24,690)
Interest	200	200	81	(119)
Total Receipts	<u>1,714,973</u>	<u>1,714,973</u>	<u>1,036,165</u>	<u>(678,808)</u>
DISBURSEMENTS				
Roads	2,334,000	2,384,385	1,871,059	513,326
Debt Service	150,000	150,000		150,000
Administration	<u>640,973</u>	<u>590,588</u>	<u>317,807</u>	<u>272,781</u>
Total Disbursements	<u>3,124,973</u>	<u>3,124,973</u>	<u>2,188,866</u>	<u>936,107</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,410,000)</u>	<u>(1,410,000)</u>	<u>(1,152,701)</u>	<u>257,299</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>1,200,000</u>	<u>1,200,000</u>	<u>999,098</u>	<u>(200,902)</u>
Total Other Adjustments to Cash (Uses)	<u>1,200,000</u>	<u>1,200,000</u>	<u>999,098</u>	<u>(200,902)</u>
Net Change in Fund Balance	(210,000)	(210,000)	(153,603)	56,397
Fund Balance - Beginning (Restated)	<u>210,000</u>	<u>210,000</u>	<u>120,035</u>	<u>(89,965)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (33,568)</u>	<u>\$ (33,568)</u>

MASON 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	\$ 2,169,300	\$ 2,169,300	\$ 1,169,706	\$ (999,594)
Charges for Services	86,500	86,500	15,506	(70,994)
Miscellaneous	126,800	126,800	110,580	(16,220)
Interest	100	100	56	(44)
Total Receipts	<u>2,382,700</u>	<u>2,382,700</u>	<u>1,295,848</u>	<u>(1,086,852)</u>
DISBURSEMENTS				
Protection to Persons and Property	2,436,562	2,539,173	2,035,822	503,351
Debt Service	45,000	45,000		45,000
Administration	1,241,138	1,138,527	668,002	470,525
Total Disbursements	<u>3,722,700</u>	<u>3,722,700</u>	<u>2,703,824</u>	<u>1,018,876</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,340,000)</u>	<u>(1,340,000)</u>	<u>(1,407,976)</u>	<u>(67,976)</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,000,000	1,000,000	1,350,000	350,000
Lease Proceeds	10,000	10,000		(10,000)
Total Other Adjustments to Cash (Uses)	<u>1,010,000</u>	<u>1,010,000</u>	<u>1,350,000</u>	<u>340,000</u>
Net Change in Fund Balance	(330,000)	(330,000)	(57,976)	272,024
Fund Balance - Beginning (Restated)	<u>330,000</u>	<u>330,000</u>	<u>165,588</u>	<u>(164,412)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 107,612</u>	<u>\$ 107,612</u>

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

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 122,000	\$ 122,000	\$ 145,999	\$ 23,999
Miscellaneous	31,500	31,500	38,786	7,286
Interest	75	75	44	(31)
Total Receipts	153,575	153,575	184,829	31,254
DISBURSEMENTS				
General Government	70,300	70,893	34,248	36,645
Protection to Persons and Property	52,800	84,522	79,346	5,176
General Health and Sanitation	71,000	71,000	62,900	8,100
Social Services	55,700	55,700	28,536	27,164
Recreation and Culture	278,000	278,000	213,985	64,015
Roads	12,000	12,000	11,950	50
Airports	8,000	8,000	8,000	
Debt Service	17,000	17,000	1,171	15,829
Administration	108,775	76,460	36,524	39,936
Total Disbursements	673,575	673,575	476,660	196,915
Excess (Deficiency) of Receipts Over (Under) Disbursements Before Other Adjustments to Cash (Uses)	(520,000)	(520,000)	(291,831)	228,169
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	400,000	400,000	274,500	(125,500)
Transfers To Other Funds			(8,349)	(8,349)
Total Other Adjustments to Cash (Uses)	400,000	400,000	266,151	(133,849)
Net Change in Fund Balance	(120,000)	(120,000)	(25,680)	94,320
Fund Balance - Beginning (Restated)	120,000	120,000	102,398	(17,602)
Fund Balance - Ending	\$ 0	\$ 0	\$ 76,718	\$ 76,718

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

STATE GRANTS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)
	Original	Final	
			Variance with Final Budget Positive (Negative)
RECEIPTS			
Intergovernmental	\$ 102,972	\$ 102,972	\$ (102,972)
Total Receipts	102,972	102,972	(102,972)
DISBURSEMENTS			
General Health and Sanitation	25,000	25,000	25,000
Recreation and Culture	77,972	77,972	77,972
Administration	7,000	7,000	7,000
Total Disbursements	109,972	109,972	109,972
Excess (Deficiency) of Receipts Over (Under) Disbursements Before Other Adjustments to Cash (Uses)	(7,000)	(7,000)	7,000
Other Adjustments to Cash (Uses)			
Transfers From Other Funds	5,000	5,000	(5,000)
Total Other Adjustments to Cash (Uses)	5,000	5,000	(5,000)
Net Change in Fund Balance	(2,000)	(2,000)	2,000
Fund Balance - Beginning	2,000	2,000	16,293
Fund Balance - Ending	\$ 0	\$ 0	\$ 16,293

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

	FEDERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 435,000	\$ 2,090,311	\$ 2,470,079	\$ 379,768
Miscellaneous	50,000	50,000	42,124	(7,876)
Total Receipts	485,000	2,140,311	2,512,203	371,892
DISBURSEMENTS				
General Government	335,000	341,773	225,468	116,305
Protection to Persons and Property	100,000	100,000	53,770	46,230
Administration	55,900	49,127		49,127
Total Disbursements	490,900	490,900	279,238	211,662
Excess (Deficiency) of Receipts Over (Under) Disbursements Before Other Adjustments to Cash (Uses)	(5,900)	1,649,411	2,232,965	583,554
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	5,000	5,000		(5,000)
Transfers To Other Funds		(1,655,311)	(2,240,891)	(585,580)
Total Other Adjustments to Cash (Uses)	5,000	(1,650,311)	(2,240,891)	(590,580)
Net Change in Fund Balance	(900)	(900)	(7,926)	(7,026)
Fund Balance - Beginning	900	900	209,333	208,433
Fund Balance - Ending	\$ 0	\$ 0	\$ 201,407	\$ 201,407

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

SOLID WASTE FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Licenses and Permits	\$ 5,000	\$ 5,000	\$ 2,159	\$ (2,841)
Intergovernmental	15,000	15,000		(15,000)
Miscellaneous	61,000	61,000	39,470	(21,530)
Interest	500	500	20	(480)
Total Receipts	81,500	81,500	41,649	(39,851)
DISBURSEMENTS				
General Health and Sanitation	205,500	216,552	164,336	52,216
Debt Service	200	200		200
Capital Projects	15,000	15,000		15,000
Administration	218,800	207,748	97,956	109,792
Total Disbursements	439,500	439,500	262,292	177,208
Excess (Deficiency) of Receipts Over (Under) Disbursements Before Other Adjustments to Cash (Uses)	(358,000)	(358,000)	(220,643)	137,357
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	300,000	300,000	200,000	(100,000)
Total Other Adjustments to Cash (Uses)	300,000	300,000	200,000	(100,000)
Net Change in Fund Balance	(58,000)	(58,000)	(20,643)	37,357
Fund Balance - Beginning	58,000	58,000	58,395	395
Fund Balance - Ending	\$ 0	\$ 0	\$ 37,752	\$ 37,752

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

LANDFILL FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 8,500	\$ 8,500	\$ 14,950	\$ 6,450
Intergovernmental	125,000	125,000	123,517	(1,483)
Charges for Services	2,050,000	2,050,000	1,953,279	(96,721)
Miscellaneous	1,071,500	1,071,500	5,535	(1,065,965)
Interest	8,000	8,000	6,466	(1,534)
Total Receipts	<u>3,263,000</u>	<u>3,263,000</u>	<u>2,103,747</u>	<u>(1,159,253)</u>
DISBURSEMENTS				
General Health and Sanitation	1,714,750	2,143,710	1,733,501	410,209
Debt Service	400,000	400,000	368,441	31,559
Capital Projects	1,190,000	1,206,000	786,278	419,722
Administration	5,998,250	5,553,290	522,282	5,031,008
Total Disbursements	<u>9,303,000</u>	<u>9,303,000</u>	<u>3,410,502</u>	<u>5,892,498</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements Before Other Adjustments to Cash (Uses)	<u>(6,040,000)</u>	<u>(6,040,000)</u>	<u>(1,306,755)</u>	<u>4,733,245</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	15,000	15,000		(15,000)
Lease Proceeds	<u>25,000</u>	<u>25,000</u>	<u>660,291</u>	<u>635,291</u>
Total Other Adjustments to Cash (Uses)	<u>40,000</u>	<u>40,000</u>	<u>660,291</u>	<u>620,291</u>
Net Change in Fund Balance	(6,000,000)	(6,000,000)	(646,464)	5,353,536
Fund Balance - Beginning (Restated)	<u>6,000,000</u>	<u>6,000,000</u>	<u>6,340,101</u>	<u>340,101</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 5,693,637</u>	<u>\$ 5,693,637</u>

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

GARBAGE COLLECTIONS FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Charges for Services	\$ 450,000	\$ 450,000	\$ 460,721	\$ 10,721
Miscellaneous	18,000	18,000		(18,000)
Interest	200	200	53	(147)
Total Receipts	468,200	468,200	460,774	(7,426)
DISBURSEMENTS				
General Health and Sanitation	509,300	513,603	440,138	73,465
Debt Service	30,500	422		422
Capital Projects		192,345	335,345	(143,000)
Administration	273,400	177,175	150,248	26,927
Total Disbursements	813,200	883,545	925,731	(42,186)
Excess (Deficiency) of Receipts Over (Under) Disbursements Before Other Adjustments to Cash (Uses)	(345,000)	(415,345)	(464,957)	(49,612)
Other Adjustments to Cash (Uses)				
Lease Proceeds			143,000	143,000
Transfers From Other Funds	150,000	150,000	230,000	80,000
Total Other Adjustments to Cash (Uses)	150,000	150,000	373,000	223,000
Net Change in Fund Balance	(195,000)	(265,345)	(91,957)	173,388
Fund Balance - Beginning (Restated)	195,000	195,000	158,134	(36,866)
Fund Balance - Ending	\$ 0	\$ (70,345)	\$ 66,177	\$ 136,522

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

ARPA FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)
	Original	Final	
			Variance with Final Budget Positive (Negative)
RECEIPTS			
Intergovernmental	\$	\$	\$
Total Receipts			
DISBURSEMENTS			
Administration		1,655,311	1,655,311
Total Disbursements		1,655,311	1,655,311
Excess (Deficiency) of Receipts Over (Under) Disbursements Before Other Adjustments to Cash (Uses)		(1,655,311)	1,655,311
Other Adjustments to Cash (Uses)			
Transfers From Other Funds		1,655,311	1,657,824
Total Other Adjustments to Cash (Uses)		1,655,311	1,657,824
Net Change in Fund Balance			1,657,824
Fund Balance - Beginning			
Fund Balance - Ending	\$ 0	\$ 0	\$ 1,657,824

MASON 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, capital projects line item, exceeded budgeted appropriations by \$127,801. Garbage collections fund, capital projects line item, exceeded budgeted appropriations by \$143,000 and total disbursements exceeded the total budget by \$42,186.

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MASON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2021

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MASON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity's Identifying Number	Provided to Subrecipient	Total Federal Expenditures
<u>U. S. Department of Housing & Urban Development</u>				
<i>Passed through Kentucky Department for Local Government</i>				
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	19-034	\$ 207,643	\$ 212,643
Total U.S. Department of Housing & Urban Development			<u>207,643</u>	<u>212,643</u>
<u>U. S. Department of Treasury</u>				
<i>Passed through Kentucky Department for Local Government</i>				
COVID-19 - Coronavirus Relief Funds for States #1	21.019	PON2 1122100001220	-	196,848 *
COVID-19 - Coronavirus Relief Funds for States #2	21.019	C036	-	581,168 *
Total U.S. Department of Treasury			<u>-</u>	<u>778,016 *</u>
<u>Election Assistance Commission</u>				
<i>Passed through Kentucky Board of Elections</i>				
HAVA Election Security Grants	90.404	2100021002	-	10,357
Total Election Assistance Commission			<u>-</u>	<u>10,357</u>
<u>U. S. Department of Homeland Security</u>				
<i>Passed through Kentucky Emergency Management</i>				
Emergency Management Performance Grants	97.042	EMA-2020-EP-00014 2	-	19,219
Total U.S. Department of Homeland Security			<u>-</u>	<u>19,219</u>
Total Expenditures of Federal Awards			<u>\$ 207,643</u>	<u>\$ 1,020,235</u>

* Denotes major program

The accompanying notes are an integral part of this schedule.

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

Mason 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.

MASON COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2021

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MASON 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	\$ 2,648,218	\$	\$	\$ 2,648,218
Building and Building Improvements	19,578,958	212,674		19,791,632
Vehicles	2,100,713	241,064	68,388	2,273,389
Equipment	7,169,312	420,774		7,590,086
Furniture and Other Equipment	514,817	13,659		528,476
Infrastructure	9,066,272	1,108,365		10,174,637
 Total Capital Assets	 <u>\$ 41,078,290</u>	 <u>\$ 1,996,536</u>	 <u>\$ 68,388</u>	 <u>\$ 43,006,438</u>

MASON 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	\$ 1	
Land Improvements	\$ 2,500	10-60
Buildings	\$ 2,500	10-75
Building Improvements	\$ 2,500	5-75
Machinery and Equipment	\$ 2,500	3-25
Furniture and Fixtures	\$ 2,500	3-25
Vehicles	\$ 2,500	3-25
Infrastructure	\$ 2,500	10-50

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

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**Kelley Galloway
Smith Goolsby, PSC**

Certified Public Accountants and Advisors

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**Independent Auditor's 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***

The Honorable Owen McNeill, Mason County Judge/Executive
Members of the Mason County Fiscal Court

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Mason County Fiscal Court for the fiscal year ended June 30, 2021, and the related notes to the financial statement which collectively comprise the Mason County Fiscal Court's financial statement and have issued our report thereon dated 2.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Mason 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 Mason County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Mason 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 were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified a certain deficiency in internal control that we consider to be a material weakness.

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. 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, and 2021-003 to be significant deficiencies.

Independent Auditor's 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

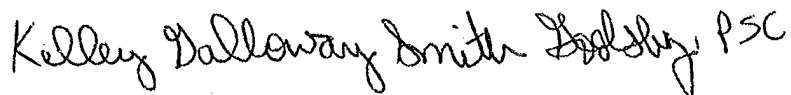
As part of obtaining reasonable assurance about whether the Mason County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2021-001, 2021-002, and 2021-003.

Views of Responsible Officials and Planned Corrective Action

Mason 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.



Ashland, Kentucky
April 26, 2022

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH UNIFORM GUIDANCE**

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**Independent Auditor's Report On Compliance For Each Major Federal Program
And Report On Internal Control Over Compliance
In Accordance With Uniform Guidance**

The Honorable Owen McNeill, Mason County Judge/Executive
Members of the Mason County Fiscal Court

Report on Compliance for Each Major Federal Program

We have audited the Mason 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 Mason County Fiscal Court's major federal programs for the year ended June 30, 2021. The Mason 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 Mason 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 Mason 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 qualified opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the Mason County Fiscal Court's compliance.

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

Opinion on Each Major Federal Program

In our opinion, Mason County Fiscal Court complied in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of the Mason 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 Mason 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 Mason County Fiscal Court's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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 results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Kelley Dalloway Smith, PSC

Ashland, Kentucky
April 26, 2022

MASON 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 auditor issued: Adverse on GAAP and Unmodified on Regulatory Basis

Internal control over financial reporting:

Are any material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are any significant deficiencies identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> None Reported
Are any noncompliances material to financial statements noted?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

Federal Awards

Internal control over major programs:

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

Identification of major programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
21.019	COVID-19 - Coronavirus Relief Funds for States

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

Section II: Financial Statement Findings

2021-001 The Road Fund Had A Negative Reconciled Fund Balance Of (\$33,568)

The road fund had a negative reconciled fund balance of (\$33,568) as of June 30, 2021. The negative balance was caused by not being able to get a transfer from the general fund prior to year-end and bills needing paid in the road fund. To offset the negative balance, the treasurer made an adjusting journal entry to record an interfund receivable. However, the interfund payable was not recorded in the general fund. As a result, the auditor had to make an adjustment to reverse the adjusting journal entry made by the treasurer. Without the auditor making an adjustment, the treasurer's quarterly report falsely reports the fund's balance as positive, rather than negative, which gives the impression the fund is solvent when it is not.

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

Section II: Financial Statement Findings (Continued)

2021-001 The Road Fund Had A Negative Reconciled Fund Balance Of (\$33,568) (Continued)

The Department for Local Government, under the authority of KRS 68.210, gives the state local finance officer the authority to prescribe a uniform system of accounts. As outlined in the *County Budget Preparation and State Local Finance Officer Policy Manual*, the uniform system of accounts requires purchase orders not be issued unless adequate funds are available to cover the expenditure. Also, under duties of county treasurer, the county treasurer should only countersign checks if there is sufficient fund balance and adequate cash in the bank to cover the check. Furthermore, good internal controls dictate monthly bank reconciliations are performed that provide an accurate and complete record of the county's fund balance. We recommend the fiscal court monitor fund balances to ensure sufficient funds are available prior to authorizing and approving payments. Furthermore, journal entries should only be used on documentable errors, not to balance an account. We further recommend the treasurer monitor cash balances more closely to ensure that cash is available to cover all bills to be paid and plan in advance in order to get transfers approved prior to writing the checks for the bills.

Views of Responsible Official and Planned Corrective Action:

Treasurer's Response: I made the mistake of assuming a deposit to the Road fund from the General fund as a transfer was posted to the Road fund from the General fund as a transfer was posted to the Road fund account the day deposits were made. The deposit was made too late in the day and I failed to confirm the deposit was dated correctly. All deposits will now be made before 3 p.m. to ensure they post same day.

2021-002 The Fourth Quarter Liabilities Journal Was Materially Misstated

This is a repeat finding and was included in the prior year audit report as finding 2020-002. The liabilities journal did not reconcile to the County's debt schedules, materially misstating debt obligations. The following misstatements over \$10,000 were noted:

- PPC Refunding Revenue Bonds, Series 2007, principal balance was understated by \$33,377.
- PPC Revenue Bonds (Courthouse Facility Project), Series 2017, principal and interest was not included on the fourth quarter report, resulting in an understatement of \$491,046.
- PPC Refunding Revenue Bonds, Series 2021, principal and interest was not included on the fourth quarter report, resulting in an understatement of \$1,789,912.
- Landfill Construction Phases IV & V principal and interest balance was overstated by \$135,203 in total.
- Articulated truck principal balance was understated by \$15,988.
- Sheriff's vehicles principal and interest was not included on the fourth quarter report, resulting in an understatement of \$23,319.
- Road loader principal and interest was not included on the fourth quarter report, resulting in an understatement of \$169,789.

The fourth quarter report liabilities journal is not being reconciled to the debt amortization schedules. As a result, liabilities information is not accurately presented to the fiscal court, Department for Local Government, and any other individuals interested in the county's financial condition. The Department for Local Government, under the authority of KRS 68.210, gives the state local finance officer the authority to prescribe a uniform system of accounts. As outlined in the *County Budget Preparation and State Local Finance Officer Policy Manual*, the uniform system of accounts requires the debt section of the fourth quarter financial report to be utilized for reporting all current long-term debt, including public corporation bonds, general obligation bonds, government leasing act issues and bond anticipation notes. The liabilities information reported needs to be accurate.

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

Section II: Financial Statement Findings (Continued)

2021-002 The Fourth Quarter Liabilities Journal Was Materially Misstated (Continued)

We recommend that fiscal court ensure all debt payments are accounted for and reported accurately on the liabilities journal.

Views of Responsible Official and Planned Corrective Action:

Treasurer's Response: The PPC revenue bonds were refunded and in transition between two different financial entities to get a better rate. During that transition I made the old bonds inactive while entering the new bond information. I should have entered payments and refunds differently into the system to show the refund process and did no. In the future this should no longer be an issue. It has been corrected. The other liabilities over/understated had been corrected by me, but the corrected 4th quarter financials were not resent to DLG. That was an oversight on my part and in the future, any corrections I make will be made before it is sent to DLG.

2021-003 The Schedule Of Expenditures Of Federal Awards (SEFA) Was Materially Misstated

The fiscal court's Schedule of Expenditures of Federal Awards (SEFA) was materially misstated. While the following known misstatements were made on the fiscal court's SEFA, the fiscal court failed to adequately track expenditures by grant and to ensure the SEFA was prepared by someone knowledgeable of federal program requirements. The treasurer's original SEFA total was \$825,274. The CDBG Funds were understated by \$207,643 which was the amount that passed through to a subrecipient. In addition, the CAREs Act HAVA grant was overstated by \$12,683 which was not spent and returned to the grantor by the deadline. The CDBG grant was listed under CFDA number 19.034; however, the correct CFDA number should have been listed as 14.228. This is a weakness in internal controls over the SEFA's preparation and reporting.

The misstatement is the result of a lack of knowledge on the correct way to track and report federal expenditures. The county treasurer prepared the original SEFA based on grant awards received rather than grant funds expended and should have included all funding even subrecipient expenditures. The fiscal court failed to implement internal control procedures to ensure the SEFA was accurate and complete.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. Pursuant to KRS 68.210, the state local finance officer has prescribed minimum accounting and reporting standards in the Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual*, which on page 54 states that a Schedule of Expenditures of Federal Awards is required to be maintained under the uniform system of accounts. Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). §200.502 Basis for determining Federal awards expended. (a) Determining Federal awards expended. The determination of when a Federal award is expended must be based on when the activity related to the Federal award occurs. Generally, the activity pertains to events that require the non-Federal entity to comply with Federal statutes, regulations, and the terms and conditions of Federal awards, such as: expenditure/expense transactions associated with awards including grants, cost-reimbursement contracts under the FAR, compacts with Indian Tribes, cooperative agreements, and direct appropriations; the disbursement of funds to subrecipients; the use of loan proceeds under loan and loan guarantee programs; the receipt of property; the receipt of surplus property; the receipt or use of program income; the distribution or use of food commodities; the disbursement of amounts entitling the non-Federal entity to an interest subsidy; and the period when insurance is in force. (b) Loan and loan guarantees (loans). Since the Federal Government is at risk for loans until the debt is repaid, the following guidelines must be used to calculate the value of Federal awards expended under loan programs, except as noted in paragraphs (c) and (d) of this section: (1) Value of new loans made or received during the audit period; plus (2) Beginning of the audit period balance of loans from previous years for which the Federal Government

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

Section II: Financial Statement Findings (Continued)

2021-003 The Schedule of Expenditures Of Federal Awards (SEFA) Was Materially Misstated (Continued)

imposes continuing compliance requirements; plus (3) Any interest subsidy, cash, or administrative cost allowance received. 2 CFR §200.510 Financial Statements (b) Schedule of expenditures of Federal awards. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with §200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use.

For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must: (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included. (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster. (4) Include the total amount provided to subrecipients from each Federal program (5) For loan or loan guarantee programs described in §200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule. (6) Include notes that describe that significant accounting policies used in preparing the schedule.

We recommend the fiscal court provide knowledgeable and independent oversight of SEFA preparation and ensure staff responsible for it do an effective job, perform a detailed reconciliation of the federal assistance reported by the treasurer, and establish reporting guidance and assistance to the treasurer to ensure timely, accurate and consistent information and periodically assess the effectiveness of the treasurer's records to ensure accurate reporting.

Views of Responsible Official and Planned Corrective Action:

Treasurer's Response: I have been doing the SEFA report for the Fiscal Court for a number of years with no issues as to my reporting. Regarding the CARE's Act HAVA grant, I have always shown the full amount expended, even if it was partially a reimbursement to the grantor. In the future, I will not show those amounts. The CFDA number I have on my original grant paperwork was correctly stated as 19.034. I hadn't confirmed that number and, in the future, I will. I will include my Finance Officer in the preparation of the SEFA report for better internal controls. Regarding the CDBG funds being understated by \$207,643, I included those numbers on my previous year SEFA report for FY 19-20. That is the year I received them and recorded on my SEFA for that year's auditors. I only recorded the balance left in my 20-21 report. In the future, I will report based on expenditures and not receipts per your comment.

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

Section III: Federal Award Findings And Questioned Costs

None.

Section IV: Summary Schedule of Prior Audit Findings

None.

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

MASON COUNTY FISCAL COURT

For The Year Ended June 30, 2021

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CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
COUNTY FISCAL COURT

For The Year Ended June 30, 2021

The Mason 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.

A handwritten signature in black ink, appearing to read "D. A. McNeil", is written over a horizontal line.

County Judge/Executive

A handwritten signature in blue ink, appearing to read "Kim Muse", is written over a horizontal line.

County Treasurer