

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

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



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

Independent Auditor's Report

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

Report on the Audit of the Financial Statement

Opinions

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

Unmodified Opinion on Regulatory Basis of Accounting

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Menifee County Fiscal Court, for the year ended June 30, 2022, or the changes in financial position and cash flows thereof for the year then ended.

Basis for Opinions

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



To the People of Kentucky
 The Honorable Andy Beshear, Governor
 Holly M. Johnson, Secretary
 Finance and Administration Cabinet
 The Honorable Rick Stiltner, Menifee County Judge/Executive
 Members of the Menifee 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 Menifee County Fiscal Court on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statement

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

Auditor's Responsibilities for the Audit of the Financial Statement

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Menifee County Fiscal Court's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Menifee County Fiscal Court's ability to continue as a going concern for a reasonable period of time.

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

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

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

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of the Menifee County Fiscal Court. The Budgetary Comparison Schedules are presented for purposes of additional analysis and are not a required part of the financial statement; however, they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

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

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 2023, on our consideration of the Menifee County Fiscal Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Menifee County Fiscal Court's internal control over financial reporting and compliance.

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

Other Reporting Required by *Government Auditing Standards* (Continued)

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

- 2022-001 The Fourth Quarter Financial Report Was Materially Misstated
- 2022-002 The Fiscal Court Did Not Properly Budget For And Record All Debt-Related Disbursements

Respectfully submitted,

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

Mike Harmon
Auditor of Public Accounts
Frankfort, Ky

September 5, 2023

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

Rick Stiltner	County Judge/Executive
Ricky Bair	Magistrate
Pamela Ballard	Magistrate
Forrest Mullins	Magistrate
Ricky Peck	Magistrate
Ollie Whitaker	Magistrate

Other Elected Officials:

Megan Williams	County Attorney
Eddie Maze	Jailer
Krystal Chapman	County Clerk
Donald Harper	Circuit Court Clerk
Roger Smallwood, Jr.	Sheriff
Jim Lawson	Property Valuation Administrator
Melody Smallwood	Coroner

Appointed Personnel:

Mandolyn Coffey	County Treasurer
Belinda Hurt	Former County Treasurer
Christina Johnson	Chief Financial Officer

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

For The Year Ended June 30, 2022

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

For The Year Ended June 30, 2022

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	\$ 1,362,004	\$	\$
In Lieu Tax Payments	191,919	88,249	
Excess Fees	79,009		
Intergovernmental	470,456	1,865,092	89,999
Charges for Services	174,134		
Miscellaneous	48,257	29,613	
Interest	452	335	46
Total Receipts	<u>2,326,231</u>	<u>1,983,289</u>	<u>90,045</u>
DISBURSEMENTS			
General Government	627,279		
Protection to Persons and Property	22,496		345,427
General Health and Sanitation	540,499	189,037	
Social Services	19,953		
Recreation and Culture	5,284		
Roads	13,490	1,635,462	
Debt Service	565,551	49,027	
Capital Projects	50,000		
Administration	512,247	217,775	31,576
Total Disbursements	<u>2,356,799</u>	<u>2,091,301</u>	<u>377,003</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(30,568)</u>	<u>(108,012)</u>	<u>(286,958)</u>
Other Adjustments to Cash (Uses)			
Financing Obligation Proceeds	544,244	47,772	
Transfers From Other Funds	547,363	165,500	279,000
Transfers To Other Funds	(647,522)	(124,831)	
Total Other Adjustments to Cash (Uses)	<u>444,085</u>	<u>88,441</u>	<u>279,000</u>
Net Change in Fund Balance	413,517	(19,571)	(7,958)
Fund Balance - Beginning	409,371	183,124	15,493
Fund Balance - Ending	<u>\$ 822,888</u>	<u>\$ 163,553</u>	<u>\$ 7,535</u>
Composition of Fund Balance			
Bank Balance	\$ 846,152	\$ 174,904	\$ 27,226
Less: Outstanding Checks	(23,264)	(11,351)	(19,691)
Fund Balance - Ending	<u>\$ 822,888</u>	<u>\$ 163,553</u>	<u>\$ 7,535</u>

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

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

Budgeted Funds						
Local Government Economic Assistance Fund	Parks Fund	Federal Grants Fund	911 Fund	American Recovery Act Fund	Sanitation District Operating Fund	Sanitation District Grant Fund
\$	\$	\$	\$ 48,990	\$	\$	\$
226,149			148,480	630,206		
9,851	7,688				45,603	
	26,855		509		2,323	
141	19		49			
236,141	34,562		198,028	630,206	47,926	
103,929				6,338		
20,000			224,348			
10,000		65,000			45,810	
32,500		18,288				
47,365	42,126	221,000				
30,000						
						8,600
2,728	2,918		116,692			
246,522	45,044	304,288	341,040	6,338	45,810	8,600
(10,381)	(10,482)	(304,288)	(143,012)	623,868	2,116	(8,600)
	20,000	20,422	150,000		4,000	8,600
				(422,532)		
	20,000	20,422	150,000	(422,532)	4,000	8,600
(10,381)	9,518	(283,866)	6,988	201,336	6,116	
146,243	17,805	283,866	59,135	428,870	8,525	
\$ 135,862	\$ 27,323	\$ 0	\$ 66,123	\$ 630,206	\$ 14,641	\$ 0
\$ 139,466	\$ 28,426	\$ 18,288	\$ 66,140	\$ 630,206	\$ 14,976	\$
(3,604)	(1,103)	(18,288)	(17)		(335)	
\$ 135,862	\$ 27,323	\$ 0	\$ 66,123	\$ 630,206	\$ 14,641	\$ 0

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

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

	<u>Budgeted Fund</u>	<u>Unbudgeted Fund</u>	
	<u>Nursing Home Sinking Fund</u>	<u>Public Properties Corporation Fund</u>	<u>Total Funds</u>
RECEIPTS			
Taxes	\$	\$	\$ 1,410,994
In Lieu Tax Payments			280,168
Excess Fees			79,009
Intergovernmental		190,125	3,620,507
Charges for Services			237,276
Miscellaneous	151,069		258,626
Interest	55	3	1,100
Total Receipts	<u>151,124</u>	<u>190,128</u>	<u>5,887,680</u>
DISBURSEMENTS			
General Government			737,546
Protection to Persons and Property			612,271
General Health and Sanitation			850,346
Social Services			70,741
Recreation and Culture			315,775
Roads			1,678,952
Debt Service	139,321	189,125	943,024
Capital Projects			58,600
Administration		1,000	884,936
Total Disbursements	<u>139,321</u>	<u>190,125</u>	<u>6,152,191</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>11,803</u>	<u>3</u>	<u>(264,511)</u>
Other Adjustments to Cash (Uses)			
Financing Obligation Proceeds			592,016
Transfers From Other Funds			1,194,885
Transfers To Other Funds			(1,194,885)
Total Other Adjustments to Cash (Uses)	<u></u>	<u></u>	<u>592,016</u>
Net Change in Fund Balance	11,803	3	327,505
Fund Balance - Beginning	<u>59,333</u>	<u>5,993</u>	<u>1,617,758</u>
Fund Balance - Ending	<u>\$ 71,136</u>	<u>\$ 5,996</u>	<u>\$ 1,945,263</u>
Composition of Fund Balance			
Bank Balance	\$ 71,136	\$ 5,996	\$ 2,022,916
Less: Outstanding Checks			(77,653)
Fund Balance - Ending	<u>\$ 71,136</u>	<u>\$ 5,996</u>	<u>\$ 1,945,263</u>

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

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TO THE FINANCIAL STATEMENT**

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**MENIFEE COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2022

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

The Menifee County Nursing Home Corporation would have been included in the reporting entity under accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. However, under the regulatory basis, they no longer are required components of the reporting entity. Audits can be obtained from the Menifee County Fiscal Court at P.O. Box 105, Frenchburg, KY 40322.

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.

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

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

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

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

Parks Fund - The primary purpose of this fund is to account for county park receipts. The primary source of receipts for this fund is charges for the use of the county pool.

Federal Grants Fund - The primary purpose of this fund is to account for federal grants and related expenditures.

Nursing Home Sinking Fund - This fund is used to account for the accumulation of resources for the payment of general long-term debt principal and interest. The primary source of receipts is the monthly payment from Menifee County Nursing Home Corporation in agreement with the refinancing of nursing home bonds.

Sanitation District Operating Fund - The primary purpose of this fund is to account for sanitation district operations. The primary source for this fund is charges for sewer services.

Sanitation District Grant Fund - The primary purpose of this fund is to account for sanitation grants and related expenditures.

American Recovery Act Fund - The primary purpose of this fund is to account for American Recovery Act funds and related expenditures.

911 Fund - This fund accounts for receipts and disbursements of the emergency dispatch service. The primary source of receipts is telecommunication tax.

Unbudgeted Fund

The fiscal court reports the following unbudgeted fund:

Public Properties Corporation Fund - The primary purpose of this fund is to account for the accumulation of resources for the payment of general long-term debt principal and interest.

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

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information

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

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

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

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

E. Menifee County Elected Officials

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

G. Long-term Obligations

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

Note 2. Deposits

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

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of the DLG *County Budget Preparation and State Local Finance Officer Policy Manual*. As of June 30, 2022, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Transfers

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

	General Fund	Road Fund	American Recovery Act Fund	Total Transfers In
General Fund	\$	\$ 124,831	\$ 422,532	\$ 547,363
Road Fund	165,500			165,500
Jail Fund	279,000			279,000
Parks Fund	20,000			20,000
Sanitation District Operation Fund	4,000			4,000
Sanitation District Grant Fund	8,600			8,600
911 Fund	150,000			150,000
Federal Grants Fund	20,422			20,422
Total Transfers Out	<u>\$ 647,522</u>	<u>\$ 124,831</u>	<u>\$ 422,532</u>	<u>\$ 1,194,885</u>

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

Note 3. Transfers (Continued)

Reason for transfers:

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

Note 4. Leases

A. Lessor

1. On March 1, 2022, the fiscal court began leasing the athletic fields located at the Meniffee County Park to the Meniffee County Board of Education. The lease requires yearly payments of \$20,000. After ten years, the yearly payments will decrease to \$6,000. The fiscal court recognized \$20,000 in lease revenues during the current fiscal year related to this lease. As of June 30, 2022, the fiscal court's receivable for lease payments was \$180,000.
2. On November 30, 2021, the fiscal court began leasing a building located at 68 Old Campus Road, Frenchburg, Kentucky to Gateway Area Development District (GADD). The initial lease is for three years and will be automatically extended up to eight additional years unless written notice is given. GADD is required to make monthly payments of \$600. During the current fiscal year, the fiscal court recognized revenues of \$6,600 for this lease. As of June 30, 2022, the fiscal court's receivable for lease payments was \$52,200.
3. On November 22, 2000, the fiscal court began leasing a building located at 126 Industrial Park Road, Means, Kentucky 40346 to Boneal, Inc. The lease is for a term of ten years, with monthly payments of \$3,500. During the current fiscal year, the fiscal court recognized revenues of \$42,000 for this lease. As of June 30, 2022, the fiscal court's receivable for lease payments was \$357,000.
4. On February 21, 2020, the fiscal court began leasing a tract of land located in the Meniffee County Industrial Park to Project Worth and Outreach, Inc. The lease is for five years, with annual payments of \$1. During the current fiscal year, the fiscal court recognized revenues of \$1 for this lease. As of June 30, 2022, the fiscal court's receivable for lease payments was \$4.

B. Lessee

1. On November 4, 2020 the fiscal court entered into a one-year lease agreement as lessee for the use of office equipment. This lease is eligible for yearly renewal at the end of each year. The Fiscal Court is required to make a base payment of \$51 per month, plus the cost of additional copies. As of June 30, 2022, liability payments totaled \$1,383.
2. On June 26, 2021 the fiscal court entered into a one-year lease agreement as lessee for the use of a backhoe. An initial lease liability was recorded in the amount of \$18,750. The lease was to be paid in full by July 1, 2022. As of June 30, 2022, liability payments totaled \$18,750.
3. On April 23, 2020, the fiscal court entered into a four-year lease agreement as lessee for the acquisition and use of office equipment. An initial lease liability was recorded in the amount of \$4,778 during the previous fiscal year. As of June 30, 2022, the value of the lease liability was \$2,189. The Meniffee County Fiscal Court is required to make monthly payments of \$100.

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

Note 4. Leases (Continued)

B. Lessee (Continued)

3. (Continued)

The future principal and interest lease payments as of June 30, 2022, were as follows:

Fiscal Year Ended June 30	Amount
2023	\$ 1,194
2024	995
Total Payments	<u>\$ 2,189</u>

4. On November 5, 2020, the fiscal court entered into a four-year lease agreement as lessee for the acquisition and use of office equipment. An initial lease liability was recorded in the amount of \$5,031 during the previous fiscal year. As of June 30, 2022, the value of the lease liability was \$3,040. The Menifee County Fiscal Court is required to make monthly payments of \$104, plus applicable fees and taxes.

The future principal and interest lease payments as of June 30, 2022, were as follows:

Fiscal Year Ended June 30	Amount
2023	\$ 1,258
2024	1,258
2025	524
Total Payments	<u>\$ 3,040</u>

Note 5. Long-term Debt

A. Direct Borrowings and Direct Placements

1. KADD Lease

On July 12, 2011, the Menifee County Fiscal Court entered into a financing obligation agreement with the Kentucky Area Development District (KADD) Financing Trust in the amount of \$910,000. The agreement requires two semi-annual interest payments in January and July of each year commencing January 20, 2012. Principal payments are due in July of each year commencing July 20, 2013, to be paid in full July 20, 2026. In the event of default, the lessor may require the entity to impose an annual tax on all taxable property equal to an amount sufficient to satisfy the annual payments set forth in the terms of the agreement. As on June 30, 2022, the principal balance remaining of \$390,000 was refinanced as part of the Refunding Note Series 2021.

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

Note 5. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

2. Meniffee County Nursing Home Corporation

On July 5, 2018, the Meniffee County Fiscal Court entered into a lease agreement with Kentucky Association of Counties Leasing Trust for the purpose of refinancing Rural Development bonds on behalf of the Meniffee County Nursing Home Corporation in the amount of \$1,240,000 with an interest rate of 3.13%. The agreement requires yearly principal and interest payments commencing on January 1, 2019 to be paid in full on January 1, 2030. In the event of default, the lessor may: a) enforce the pledge set forth in the agreement to require a tax levied on all taxable property of the lessee—in addition to other taxes without limitations as to rate or amount – a direct tax annually in an amount sufficient to pay lease payment as required by the agreement; b) take legal title to, and sell or re-lease the project of any portion thereof; c) to take whatever action at law or in equity to enforce the rights of the lessor under the terms of the lease. As of June 30, 2022, the principal balance remaining was \$910,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2023	\$ 95,000	\$ 41,696
2024	100,000	36,946
2025	105,000	31,946
2026	110,000	26,696
2027	115,000	21,196
2028-2032	385,000	34,933
Totals	<u>\$ 910,000</u>	<u>\$ 193,413</u>

3. 2019 Ford F-150 Crew 4X4

On September 24, 2019, the Meniffee County Fiscal Court entered into a lease purchase agreement in the amount of \$31,512 with Ford Motor Credit Company LLC for the purpose of a vehicle. The agreement requires monthly principal and interest payments for 60 months at an interest rate of 5.75%. The vehicle is collateral for the agreement, and, in the event of default, the lessor may declare all amounts due on the agreement immediately due and payable. The lessor may also retake possession of the vehicle to sell or re-lease the vehicle. The lessee is responsible for the difference between any amounts received for subsequent sale or lease of the equipment and the amount remaining on the lessee's agreement as well as any legal, transport, delivery, and other fees incurred during this process outlined in the terms of the agreement. As of June 30, 2022, the principal balance remaining was \$13,499. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2023	\$ 6,557	\$ 636
2024	6,942	251
Totals	<u>\$ 13,499</u>	<u>\$ 887</u>

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

Note 5. Long-term Debt (Continued)

B. Direct Borrowings and Direct Placements (Continued)

4. 2019 Ford F-650

On December 9, 2019, the Menifee County Fiscal Court entered into a lease purchase agreement in the amount of \$84,527 with Ford Motor Credit Company LLC for the purpose of a vehicle. The agreement requires monthly principal and interest payments for 60 months at an interest rate of 5.75%. The vehicle is collateral for the agreement, and, in the event of default, the lessor may declare all amounts due on the agreement immediately due and payable. The lessor may also retake possession of the vehicle to sell or re-lease the vehicle. The lessee is responsible for the difference between any amounts received for subsequent sale or lease of the equipment and the amount remaining on the lessee's agreement as well as any legal, transport, delivery, and other fees incurred during this process outlined in the terms of the agreement. As of June 30, 2022, the principal balance remaining was \$40,451. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2023	\$ 17,338	\$ 1,957
2024	18,357	938
2025	4,756	68
Totals	<u>\$ 40,451</u>	<u>\$ 2,963</u>

5. 2020 Ford F-350

On February 20, 2020, the Menifee County Fiscal Court entered into a lease purchase agreement in the amount of \$50,326 with Ford Motor Credit Company LLC for the purpose of a vehicle. The agreement requires monthly principal and interest payments for 60 months at an interest rate of 5.75%. The vehicle is collateral for the agreement, and, in the event of default, the lessor may declare all amounts due on the agreement immediately due and payable. The lessor may also retake possession of the vehicle to sell or re-lease the vehicle. The lessee is responsible for the difference between any amounts received for subsequent sale or lease of the equipment and the amount remaining on the lessee's agreement as well as any legal, transport, delivery, and other fees incurred during this process outlined in the terms of the agreement. As of June 30, 2022, the principal balance remaining was \$26,574. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2023	\$ 10,177	\$ 1,311
2024	10,774	713
2025	5,623	121
Totals	<u>\$ 26,574</u>	<u>\$ 2,145</u>

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

Note 5. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

6. 2021 Ford F-350

On October 13, 2021, the Menifee County Fiscal Court entered into a lease purchase agreement in the amount of \$47,772 with Ford Motor Credit Company LLC for the purpose of a vehicle. The agreement requires monthly principal and interest payments for 60 months at an interest rate of 5.75%. The vehicle is collateral for the agreement, and, in the event of default, the lessor may declare all amounts due on the agreement immediately due and payable. The lessor may also retake possession of the vehicle to sell or re-lease the vehicle. The lessee is responsible for the difference between any amounts received for subsequent sale or lease of the equipment and the amount remaining on the lessee's agreement as well as any legal, transport, delivery, and other fees incurred during this process outlined in the terms of the agreement. As of June 30, 2022, the principal balance remaining was \$38,767. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2023	\$ 6,545	\$ 1,743
2024	9,222	1,829
2025	9,821	1,230
2026	10,460	591
2027	2,719	43
Totals	<u>\$ 38,767</u>	<u>\$ 5,436</u>

7. Debt Consolidation-General Obligation Note Series 2017B

On June 27, 2017, the Menifee County Fiscal Court entered into General Obligation Note Taxable Series 2017B with a local bank in the amount of \$185,656 at a fixed interest rate of 3.1% for the purpose of debt consolidation. Principal and interest payments are required quarterly on the last day of March, June, September, and December commencing on September 30, 2017 until the final maturity date of June 30, 2022. The full faith, credit, and taxing power of the county was irrevocably pledged to ensure payment of principal and interest payments when due. In the event of default, the noteholder retains the right to pursue legal action against the county. As of June 30, 2022, the agreement was paid in full.

8. General Obligation Improvement and Refunding Notes, Series 2021

On December 14, 2021, the Menifee County Fiscal Court entered into General Obligation Improvement and Refunding note with a local bank in the amount of \$544,244 at a fixed interest rate of 3.33% for the purpose of acquiring a garbage truck for the county and refunding the outstanding lease agreement between the Kentucky Area Development Districts (KADD) and the county. Principal and interest payments are required quarterly on the first day of March, June, September, and December commencing on March 1, 2022 until the final maturity date of December 1, 2026. The full faith, credit, and taxing power of the county was irrevocably pledged to ensure payment of principal and interest payments when due. In the event of default, the noteholder retains the right to pursue legal action against the county.

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

Note 5. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

8. General Obligation Improvement and Refunding Notes, Series 2021 (Continued)

As of June 30, 2022, the principal balance remaining was \$493,226. Future principal and interest requirements are:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2023	\$ 103,257	\$ 15,356
2024	106,756	11,857
2025	110,438	8,175
2026	114,214	4,399
2027	58,561	746
Totals	<u>\$ 493,226</u>	<u>\$ 40,533</u>

B. Other Debt

1. First Mortgage Refunding Revenue Bonds, Series 2014

On December 30, 2014, the Meniffee County Public Properties Corporation issued \$2,130,000 of First Mortgage Refunding Revenue Bonds, Series 2014, for the purpose of defeasing a prior bond issue. Interest on the bonds is payable semi-annually on March 1 and September 1 of each year commencing March 1, 2015 at interest rates of 1.05% to 3.25%. Principal payments are payable annually commencing March 1, 2017. The fiscal court has entered into a lease agreement with the Administrative Office of the Courts (AOC) for AOC to provide use allowance payments equal to the annual debt service requirements. In the event of default, the following remedies are available to the owners of the bonds: a) by enforcement of the foreclosable mortgage lien on the project site and improvements granted by the mortgage, and in such event the trustee will take over possession, custody and control of the project and will operate or carry out decretal sale of same with due regard to state and federal law and the covenants contained in the lease for the benefit of the owners of the bonds. Provided, however, that no such foreclosure sale will result in a deficiency judgement of any type or in any amounts against AOC, the county or the corporation, and until such sale the county may at any time by the discharge of the bonds and interest and any premium thereon receive an unencumbered fee simple title to the mortgaged facilities; provided that in the event of any such enforcement of said lien by the trustee, there will first be paid all expenses incident to said document, and thereafter the bonds then outstanding will be paid and retired; b) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights on the owners of the bonds, including the right to require the corporation to enforce fully the lease and to charge, collect and fully account for the pledged receipts, and to require the corporation to carry out any and all other covenants or agreements with the bondholder and to perform its duties under the act; c) bring suit upon the bonds; d) by action or suit in equity, require the corporation to account as if it were the trustee of an express trust for the owners of the bonds; e) by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the owners of the bonds; f) by declaring all bonds due and payable, and if all defaults will be made good, then, with the written consent of the owners of not less than 25% in a principal amount of the outstanding bonds, by annulling such declaration and its consequences; and g) in the event that all bonds are declared due and payable, by selling investment obligations of the corporation (to the extent not theretofore set aside for redemption of the bonds for which call has been made) and enforcing all chooses in action of the corporations to the fullest legal extent in the name of the corporation for the use and benefit of the owners of the bonds.

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

Note 5. Long-term Debt (Continued)

B. Other Debt (Continued)

1. First Mortgage Refunding Revenue Bonds, Series 2014 (Continued)

As of June 30, 2022, the principal balance remaining was \$1,320,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2023	\$ 150,000	\$ 40,500
2024	155,000	36,000
2025	155,000	31,350
2026	160,000	26,700
2027	170,000	21,900
2028-2032	<u>530,000</u>	<u>34,513</u>
Totals	<u>\$ 1,320,000</u>	<u>\$ 190,963</u>

C. Changes In Long-term Debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements*	\$ 1,596,255	\$ 592,016	\$ 665,755	\$ 1,522,516	\$ 238,874
Revenue Bonds	<u>1,465,000</u>		<u>145,000</u>	<u>1,320,000</u>	<u>150,000</u>
Total Long-term Debt	<u>\$ 3,061,255</u>	<u>\$ 592,016</u>	<u>\$ 810,755</u>	<u>\$ 2,842,516</u>	<u>\$ 388,874</u>

* Direct Borrowings and Direct Placements was reduced \$31 due to a prior period error.

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

Note 5. Long-term Debt (Continued)

D. Aggregate Debt Schedule

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

Fiscal Year Ended June 30	Direct Borrowings and Direct Placements		Revenue Bond	
	Principal	Interest	Principal	Interest
2023	\$ 238,873	\$ 62,699	\$ 150,000	\$ 40,500
2024	252,051	52,535	155,000	36,000
2025	235,638	41,540	155,000	31,350
2026	234,674	31,686	160,000	26,700
2027	176,280	21,985	170,000	21,900
2028-2032	385,000	34,933	530,000	34,513
Totals	<u>\$ 1,522,516</u>	<u>\$ 245,378</u>	<u>\$ 1,320,000</u>	<u>\$ 190,963</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 (Ky. Ret. Sys.). This is a cost-sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Effective April 1, 2021, the Kentucky Public Pension Authority (KPPA) was created by KRS 61.505 to provide staffing and daily administrative needs for CERS and Ky. Ret. Sys. The CERS nine (9) member board of trustees is responsible for the governance of the CERS pension and insurance plans.

The county's contribution for FY 2020 was \$220,878, FY 2021 was \$233,639, and FY 2022 was \$269,263.

Nonhazardous

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

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

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

Note 6. Employee Retirement System (Continued)

Nonhazardous (Continued)

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

The county's contribution rate for nonhazardous employees was 26.95 percent.

Hazardous

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

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

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

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

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

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:

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

Note 6. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

A. Health Insurance Coverage - Tier 1 (Continued)

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

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

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

Benefits are covered under KRS 78.5536.

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

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

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

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

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

Note 6. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

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

Once members reach a minimum vesting period of 15 years, they earn fifteen dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually by 1.5 percent. Upon the death of a hazardous employee, the employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This was established for Tier 2 members during the 2008 Special Legislative Session by House Bill 1. During the 2013 Legislative Session, Senate Bill 2 was enacted, creating Tier 3 benefits for members. The monthly insurance benefit has been increased annually as a 1.5 percent COLA since July 2003 when the law changed. The annual increase is cumulative and continues to accrue after the member's retirement.

D. Cost of Living Adjustments - Tier 1

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

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

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

F. Death Benefit

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

Annual Financial Report and Proportionate Share Audit Report

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

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

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

Note 7. Deferred Compensation

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

These deferred compensation plans permit all full-time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary. Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees' Deferred Compensation Authority at 501 High Street, 2nd Floor, Frankfort, KY 40601, or by telephone at (502) 573-7925.

Note 8. Insurance

For the fiscal year ended June 30, 2022, the Menifee 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. Litigation

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.

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MENIFEE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2022

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MENIFEE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2022

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 1,085,700	\$ 1,174,999	\$ 1,362,004	\$ 187,005
In Lieu Tax Payments	95,000	99,654	191,919	92,265
Excess Fees	40,232	79,009	79,009	
Intergovernmental	122,035	357,275	470,456	113,181
Charges for Services	206,000	206,000	174,134	(31,866)
Miscellaneous	48,057	63,136	48,257	(14,879)
Interest	350	350	452	102
Total Receipts	1,597,374	1,980,423	2,326,231	345,808
DISBURSEMENTS				
General Government	632,936	718,994	627,279	91,715
Protection to Persons and Property	22,177	23,954	22,496	1,458
General Health and Sanitation	402,244	557,635	540,499	17,136
Social Services	19,160	19,953	19,953	
Recreation and Culture		5,284	5,284	
Roads		13,490	13,490	
Debt Service	116,453	166,009	565,551	(399,542)
Capital Projects		50,000	50,000	
Administration	588,162	574,685	512,247	62,438
Total Disbursements	1,781,132	2,130,004	2,356,799	(226,795)
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(183,758)	(149,581)	(30,568)	119,013
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds			544,244	544,244
Transfers From Other Funds	268,129	268,129	547,363	279,234
Transfers To Other Funds	(384,371)	(384,371)	(647,522)	(263,151)
Total Other Adjustments to Cash (Uses)	(116,242)	(116,242)	444,085	560,327
Net Change in Fund Balance	(300,000)	(265,823)	413,517	679,340
Fund Balance - Beginning	300,000	296,148	409,371	113,223
Fund Balance - Ending	\$ 0	\$ 30,325	\$ 822,888	\$ 792,563

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

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
In Lieu Tax Payments	\$ 50,000	\$ 50,000	\$ 88,249	\$ 38,249
Intergovernmental	1,090,569	1,808,161	1,865,092	56,931
Miscellaneous	5,000	15,965	29,613	13,648
Interest	400	400	335	(65)
Total Receipts	1,145,969	1,874,526	1,983,289	108,763
DISBURSEMENTS				
General Health and Sanitation		189,500	189,037	463
Roads	685,500	1,608,544	1,635,462	(26,918)
Debt Service	52,976	67,777	49,027	18,750
Administration	277,269	515,601	217,775	297,826
Total Disbursements	1,015,745	2,381,422	2,091,301	290,121
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	130,224	(506,896)	(108,012)	398,884
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds			47,772	47,772
Transfers From Other Funds			165,500	165,500
Transfers To Other Funds	(268,129)	(268,129)	(124,831)	143,298
Total Other Adjustments to Cash (Uses)	(268,129)	(268,129)	88,441	356,570
Net Change in Fund Balance	(137,905)	(775,025)	(19,571)	755,454
Fund Balance - Beginning	137,905	183,124	183,124	
Fund Balance - Ending	\$ 0	\$ (591,901)	\$ 163,553	\$ 755,454

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

JAIL FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 86,200	\$ 86,200	\$ 89,999	\$ 3,799
Charges for Services	250	250		(250)
Miscellaneous	500	500		(500)
Interest	15	15	46	31
Total Receipts	86,965	86,965	90,045	3,080
DISBURSEMENTS				
Protection to Persons and Property	237,920	358,710	345,427	13,283
Administration	33,585	33,588	31,576	2,012
Total Disbursements	271,505	392,298	377,003	15,295
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(184,540)	(305,333)	(286,958)	18,375
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	179,540	179,540	279,000	99,460
Total Other Adjustments to Cash (Uses)	179,540	179,540	279,000	99,460
Net Change in Fund Balance	(5,000)	(125,793)	(7,958)	117,835
Fund Balance - Beginning	5,000	15,493	15,493	
Fund Balance - Ending	\$ 0	\$ (110,300)	\$ 7,535	\$ 117,835

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

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 36,500	\$ 213,072	\$ 226,149	\$ 13,077
Charges for Services		2,681	9,851	7,170
Interest	100	100	141	41
Total Receipts	36,600	215,853	236,141	20,288
DISBURSEMENTS				
General Government	101,592	106,240	103,929	2,311
Protection to Persons and Property		20,000	20,000	
General Health and Sanitation		10,000	10,000	
Social Services		62,500	32,500	30,000
Recreation and Culture		69,765	47,365	22,400
Roads		60,000	30,000	30,000
Administration	35,008	26,092	2,728	23,364
Total Disbursements	136,600	354,597	246,522	108,075
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(100,000)	(138,744)	(10,381)	128,363
Net Change in Fund Balance	(100,000)	(138,744)	(10,381)	128,363
Fund Balance - Beginning	100,000	146,243	146,243	
Fund Balance - Ending	\$ 0	\$ 7,499	\$ 135,862	\$ 128,363

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

PARKS FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Charges for Services	\$ 8,000	\$ 8,000	\$ 7,688	\$ (312)
Miscellaneous	10,700	24,700	26,855	2,155
Interest	4	4	19	15
Total Receipts	18,704	32,704	34,562	1,858
DISBURSEMENTS				
Recreation and Culture	55,500	55,500	42,126	13,374
Administration	4,450	34,255	2,918	31,337
Total Disbursements	59,950	89,755	45,044	44,711
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(41,246)	(57,051)	(10,482)	46,569
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	39,246	39,246	20,000	(19,246)
Total Other Adjustments to Cash (Uses)	39,246	39,246	20,000	(19,246)
Net Change in Fund Balance	(2,000)	(17,805)	9,518	27,323
Fund Balance - Beginning	2,000	17,805	17,805	
Fund Balance - Ending	\$ 0	\$ 0	\$ 27,323	\$ 27,323

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

	FEDERAL GRANTS FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 100,000	\$ 900,000	\$	\$ (900,000)
Total Receipts	100,000	900,000		(900,000)
DISBURSEMENTS				
General Health and Sanitation	100,000	100,000	65,000	35,000
Social Services		800,000	18,288	781,712
Recreation and Culture		221,000	221,000	
Administration		62,866		62,866
Total Disbursements	100,000	1,183,866	304,288	879,578
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		(283,866)	(304,288)	(20,422)
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			20,422	20,422
Total Other Adjustments to Cash (Uses)			20,422	20,422
Net Change in Fund Balance		(283,866)	(283,866)	
Fund Balance - Beginning		283,866	283,866	
Fund Balance - Ending	\$ 0	\$ 0	\$ 0	\$ 0

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

	911 FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 55,000	\$ 55,000	\$ 48,990	\$ (6,010)
Intergovernmental	135,000	135,000	148,480	13,480
Miscellaneous	500	500	509	9
Interest	40	40	49	9
Total Receipts	190,540	190,540	198,028	7,488
DISBURSEMENTS				
Protection to Persons and Property	236,625	244,488	224,348	20,140
Administration	134,500	170,772	116,692	54,080
Total Disbursements	371,125	415,260	341,040	74,220
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(180,585)	(224,720)	(143,012)	81,708
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	165,585	165,585	150,000	(15,585)
Total Other Adjustments to Cash (Uses)	165,585	165,585	150,000	(15,585)
Net Change in Fund Balance	(15,000)	(59,135)	6,988	66,123
Fund Balance - Beginning	15,000	59,135	59,135	
Fund Balance - Ending	\$ 0	\$ 0	\$ 66,123	\$ 66,123

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

AMERICAN RECOVERY ACT FUND			
	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original	Final	
RECEIPTS			
Intergovernmental	\$	\$ 630,206	\$ 630,206
Total Receipts		630,206	630,206
DISBURSEMENTS			
General Government		6,338	6,338
Administration		1,052,738	1,052,738
Total Disbursements		1,059,076	6,338
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		(428,870)	623,868
Other Adjustments to Cash (Uses)			
Transfers From Other Funds			(422,532)
Total Other Adjustments to Cash (Uses)			(422,532)
Net Change in Fund Balance		(428,870)	201,336
Fund Balance - Beginning		428,870	428,870
Fund Balance - Ending	\$ 0	\$ 0	\$ 630,206

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

SANITATION DISTRICT OPERATING FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 25,000	\$ 25,000	\$	\$ (25,000)
Charges for Services	40,000	40,000	45,603	5,603
Miscellaneous		2,000	2,323	323
Total Receipts	65,000	67,000	47,926	(19,074)
DISBURSEMENTS				
General Health and Sanitation	41,200	47,864	45,810	2,054
Administration	25,800	27,661		27,661
Total Disbursements	67,000	75,525	45,810	29,715
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(2,000)	(8,525)	2,116	10,641
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			4,000	4,000
Total Other Adjustments to Cash (Uses)			4,000	4,000
Net Change in Fund Balance	(2,000)	(8,525)	6,116	14,641
Fund Balance - Beginning	2,000	8,525	8,525	
Fund Balance - Ending	\$ 0	\$ 0	\$ 14,641	\$ 14,641

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

NURSING HOME SINKING FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Miscellaneous	\$ 139,459	\$ 139,459	\$ 151,069	\$ 11,610
Interest	100	100	55	(45)
Total Receipts	139,559	139,559	151,124	11,565
DISBURSEMENTS				
Debt Service	139,321	139,321	139,321	
Administration	46,678	37,094		37,094
Total Disbursements	185,999	176,415	139,321	37,094
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(46,440)	(36,856)	11,803	48,659
Net Change in Fund Balance	(46,440)	(36,856)	11,803	48,659
Fund Balance - Beginning	46,440	59,333	59,333	
Fund Balance - Ending	\$ 0	\$ 22,477	\$ 71,136	\$ 48,659

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

SANITATION DISTRICT GRANT FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)
	Original	Final	Variance with Final Budget Positive (Negative)
RECEIPTS			
Intergovernmental	\$ 1,459,000	\$ 1,459,000	\$ (1,459,000)
Total Receipts	1,459,000	1,459,000	(1,459,000)
DISBURSEMENTS			
Capital Projects	1,459,000	817,100	8,600
Total Disbursements	1,459,000	817,100	8,600
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		641,900	(8,600)
Other Adjustments to Cash (Uses)			
Transfers From Other Funds			8,600
Total Other Adjustments to Cash (Uses)			8,600
Net Change in Fund Balance		641,900	(641,900)
Fund Balance - Beginning			
Fund Balance - Ending	\$ 0	\$ 641,900	\$ (641,900)

MENIFEE COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2022

Note 1. Budgetary Information

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

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

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

Note 2. Excess of Disbursements Over Appropriations

The general fund, debt service line-item, exceeded budgeted appropriations by \$399,542.

General fund total disbursements exceed budget appropriations by \$226,795.

The road fund, roads line-item, exceeded budgeted appropriations by \$26,918.

MENIFEE COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2022

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MENIFEE COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2022

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 503,978	\$	\$	\$ 503,978
Buildings	10,113,374			10,113,374
Furniture and Office Equipment	209,426			209,426
Machinery and Equipment	1,321,424			1,321,424
Vehicles	922,598	204,607		1,127,205
Infrastructure	6,925,644			6,925,644
 Total Capital Assets	 <u>\$ 19,996,444</u>	 <u>\$ 204,607</u>	 <u>\$ 0</u>	 <u>\$ 20,201,051</u>

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

June 30, 2022

Note 1. Capital Assets

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

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

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

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

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

Independent Auditor's Report

The Honorable Rick Stiltner, Menifee County Judge/Executive
Members of the Menifee 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 Menifee County Fiscal Court for the fiscal year ended June 30, 2022 and the related notes to the financial statement which collectively comprise the Menifee County Fiscal Court's financial statement and have issued our report thereon dated September 5, 2023.

Internal Control Over Financial Reporting

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

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



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

Compliance And Other Matters

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

Views of Responsible Official and Planned Corrective Action

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

Purpose of this Report

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

Respectfully submitted,

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

Mike Harmon
Auditor of Public Accounts
Frankfort, Ky

September 5, 2023

MENIFEE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended June 30, 2022

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**MENIFEE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2022

FINANCIAL STATEMENT FINDINGS:

2022-001 The Fourth Quarter Financial Report Was Materially Misstated

The fourth quarter financial report, which serves as the county's year-end financial statement, was materially misstated. Adjustments and reclassifications were necessary to record and classify transactions properly.

- In order for the financial statement to accurately reflect receipts, the following adjustments and reclassifications were necessary:
 - General Fund – (1) Reclassify a transfer from transfers out that was not a true transfer in the amount of \$335,689, (2) Post financing obligation proceeds for the KADD lease refinance in the amount of \$409,568, (3) Reclassify the interlocal agreement proceeds of \$113,259 to prior year carryover and interest, (4) Post interlocal agreement proceeds of \$17,500 not on financial statement and (5) Remove transfers that were repaid to the road fund from transfers in and out in the amount of \$350,000.
 - Road Fund – (1) Post financing obligation proceeds for a truck purchased in the amount of \$47,772, (2) Reclassify a transfer from transfers in that was not a true transfer in the amount of \$335,689, and (3) Remove transfers that were repaid to the general fund from transfers in and out in the amount of \$350,000.
- Likewise, adjustments and reclassifications were necessary for disbursements to be recorded and classified correctly on the financial statement as follows:
 - General Fund – (1) Post the KADD refinance to debt service and applicable fees to administration totaling \$409,568.
 - Road Fund – Post the purchase of 2021 F-350 Truck in the amount of \$47,772 and reclass lease payment in the amount of \$18,750.

The county did not have adequate internal control, oversight, and review procedures in place to ensure financial activity was accurately recorded and reported in accordance with the uniform system of accounts as required.

Consequently, errors and misstatements occurred and were undetected resulting in the financial statement being materially misstated. Inaccurate financial reporting is problematic because the commissioners and county judge/executive rely on financial data presented to them to be complete and accurate in order to make prudent financial decisions on behalf of the county and taxpayers. Furthermore, external organizations may use and rely on financial information reported by the county so accurate financial reporting should be a priority.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual* requires officials to submit quarterly reports to the Department for Local Government by the 20th day following the close of each quarter. The uniform system of accounts has specific requirements on how to record various types of transactions for different funds and fund types. The most basic requirement of the uniform system of accounts is that all transactions are recorded and classified correctly.

We recommend the county treasurer thoroughly examine each account line item on the quarterly report to ensure items were posted properly. Each adjustment made by auditors has been presented to and reviewed with the county treasurer. We recommend the county treasurer use these adjustments as guidance when preparing future financial statements. In addition, we recommend the fiscal court establish adequate internal controls, oversight, and review procedures to ensure that all financial data is completely and accurately recorded and reported.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: We will make sure all debts are properly recorded.

MENIFEE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2022
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2022-002 The Fiscal Court Did Not Properly Budget For And Record All Debt-Related Disbursements

The fiscal court did not comply with reporting requirements for debt bearing the fiscal court's name, which caused the budget appropriated for a line item in both the general and road funds to be in excess of the amount appropriated. These transactions did not run through the fiscal court's bank account, and were not included in the budget process, or reflected on the fiscal court's 4th quarter financial report.

As a result, the fiscal court failed to properly budget for and record the debt-related disbursement in the general fund of \$409,568 that resulted in appropriations in excess of budget in the debt service category by \$399,542. In addition, the fiscal court failed to properly budget for and record the debt-related disbursement in the road fund for a truck in the amount of \$47,772 that resulted in appropriations in excess of budget in the roads category by \$26,918. These occurrences resulted in the liabilities information not accurately being presented to management, regulatory agencies, and other users of the information. Also, adjustments to include this activity on the 4th quarter financial report resulted in county appropriations exceeding the approved budget.

KRS 68.300 states, "Any appropriation made or claim allowed by the fiscal court in excess of any budget fund, and any warrant or contract not within the budget appropriation, shall be void." KRS 68.280 gives fiscal courts through the state local finance officer, the ability to amend the budget when necessary, which would have prevented appropriations from exceeding the approved budget. Because the fiscal court is obligated for these financing obligations, all debt should be budgeted for and recorded.

We recommend the fiscal court comply with KRS 68.300 and KRS 68.280 by budgeting all disbursements and amending the budget as necessary to reflect unanticipated receipts and disbursements.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: We will make sure all debts are properly recorded.

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

MENIFEE COUNTY FISCAL COURT

For The Year Ended June 30, 2022

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

For The Year Ended June 30, 2022

The Menifee 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 blue ink, appearing to read "D. L. Smith", is written over a horizontal line.

County Judge/Executive

A handwritten signature in blue ink, appearing to read "Merrell C. Clark", is written over a horizontal line.

County Treasurer