

**REPORT OF THE AUDIT OF THE  
METCALFE 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 Larry Wilson, Metcalfe County Judge/Executive

The Honorable Harold Stilts, Former Metcalfe County Judge/Executive

Members of the Metcalfe 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 Metcalfe County Fiscal Court, for the year ended June 30, 2022, and the related notes to the financial statement, which collectively comprise the Metcalfe 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 Metcalfe 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 Metcalfe 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 Metcalfe 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 Larry Wilson, Metcalfe County Judge/Executive  
 The Honorable Harold Stilts, Former Metcalfe County Judge/Executive  
 Members of the Metcalfe 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 Metcalfe 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***

Metcalfe 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 Metcalfe 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 Metcalfe 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  
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Members of the Metcalfe 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 Metcalfe 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 February 21, 2023, on our consideration of the Metcalfe 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 Metcalfe 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 Larry Wilson, Metcalfe County Judge/Executive  
The Honorable Harold Stilts, Former Metcalfe County Judge/Executive  
Members of the Metcalfe 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 Metcalfe County Fiscal Court Did Not Approve Changes To The American Rescue Plan Act Fund Budget
- 2022-002 The Metcalfe County Treasurer Did Not Submit An Annual Settlement To The Fiscal Court
- 2022-003 The Metcalfe County Fiscal Court Does Not Have Controls Over Disbursements
- 2022-004 The Metcalfe County Fiscal Court Did Not Properly Award Bids
- 2022-005 The Metcalfe County Fiscal Court Did Not Accurately Report Debt On The Fourth Quarter Financial Statement Liabilities Schedule

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

February 21, 2023



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

Harold Stilts	County Judge/Executive
Kenny Scott	Magistrate
Kevin Crain	Magistrate
Donnie Smith	Magistrate
Ronnie Miller	Magistrate

**Other Elected Officials:**

Barry Gilley	County Attorney
Randall Shive	Jailer
Shannon Fields	County Clerk
Tommy Garrett	Circuit Court Clerk
Lonnie Hodges	Sheriff
Michael Welsh	Property Valuation Administrator
Larry Wilson	Coroner

**Appointed Personnel:**

Page Edwards	County Treasurer
Lorrie Boston	Finance Officer

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

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

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

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

	<b>Budgeted Funds</b>		
	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>
<b>RECEIPTS</b>			
Taxes	\$ 1,515,282	\$	\$
In Lieu Tax Payments	135,135		
Excess Fees	187,253		
Licenses and Permits	57,204		
Intergovernmental	143,522	2,470,905	87,213
Miscellaneous	262,188	11,672	
Interest	989	1,352	51
Total Receipts	<u>2,301,573</u>	<u>2,483,929</u>	<u>87,264</u>
<b>DISBURSEMENTS</b>			
General Government	1,110,506	104	
Protection to Persons and Property	133,352		246,279
General Health and Sanitation	128,381	21,770	
Social Services	1,500		
Recreation and Culture	250		
Roads		1,955,625	
Debt Service	281,899		
Capital Projects			
Administration	607,869	208,674	22,969
Total Disbursements	<u>2,263,757</u>	<u>2,186,173</u>	<u>269,248</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>37,816</u>	<u>297,756</u>	<u>(181,984)</u>
<b>Other Adjustments to Cash (Uses)</b>			
Transfers From Other Funds	835,376	276,464	180,000
Transfers To Other Funds	(265,404)	(226,429)	
Total Other Adjustments to Cash (Uses)	<u>569,972</u>	<u>50,035</u>	<u>180,000</u>
Net Change in Fund Balance	607,788	347,791	(1,984)
Fund Balance - Beginning	<u>219,661</u>	<u>149,511</u>	<u>17,905</u>
Fund Balance - Ending	<u>\$ 827,449</u>	<u>\$ 497,302</u>	<u>\$ 15,921</u>
<b>Composition of Fund Balance</b>			
Bank Balance	\$ 853,280	\$ 808,806	\$ 32,922
Less: Outstanding Checks	(25,831)	(311,504)	(17,001)
Certificates of Deposit			
Fund Balance - Ending	<u>\$ 827,449</u>	<u>\$ 497,302</u>	<u>\$ 15,921</u>

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

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

<b>Budgeted Funds</b>						
<b>Local Government Economic Assistance Fund</b>	<b>State Grants Fund</b>	<b>Federal Grants Fund</b>	<b>Disaster Emergency Services Fund</b>	<b>Ambulance Fund</b>	<b>Spay and Neuter Fund</b>	<b>Homeland Security Fund</b>
\$	\$	\$	\$	\$ 334,404	\$	\$
4,757	22,157	1,511,537	25,992	12,127		39,848
5	284	624	7	12,395	1	1
4,762	22,441	1,512,161	25,999	358,926	1	39,849
20,372					550	
	6,157		55,781	389,600		
	43,347					
4,875						
		533,450				
15,545			25,370			
40,792	49,504	533,450	81,151	389,600	550	
(36,030)	(27,063)	978,711	(55,152)	(30,674)	(549)	39,849
35,000			50,000			
	(500)	(978,087)				(39,848)
35,000	(500)	(978,087)	50,000			(39,848)
(1,030)	(27,563)	624	(5,152)	(30,674)	(549)	1
6,135	167,518	345,329	15,399	1,342,406	2,867	1,507
\$ 5,105	\$ 139,955	\$ 345,953	\$ 10,247	\$ 1,311,732	\$ 2,318	\$ 1,508
\$ 5,105	\$ 143,525 (3,570)	\$ 345,953	\$ 10,485 (238)	\$ 386,280	\$ 2,318	\$ 1,508
				925,452		
\$ 5,105	\$ 139,955	\$ 345,953	\$ 10,247	\$ 1,311,732	\$ 2,318	\$ 1,508

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

**METCALFE 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>American Rescue Plan Act Fund</u>	<u>Public Properties Corporation Fund</u>	<u>Total Funds</u>
<b>RECEIPTS</b>			
Taxes	\$	\$	\$ 1,849,686
In Lieu Tax Payments			135,135
Excess Fees			187,253
Licenses and Permits			57,204
Intergovernmental		399,300	4,717,358
Miscellaneous			273,860
Interest	1,145		16,854
Total Receipts	<u>1,145</u>	<u>399,300</u>	<u>7,237,350</u>
<b>DISBURSEMENTS</b>			
General Government	108,581		1,240,113
Protection to Persons and Property			831,169
General Health and Sanitation			193,498
Social Services			6,375
Recreation and Culture			250
Roads			1,955,625
Debt Service		399,300	681,199
Capital Projects			533,450
Administration	24,273		904,700
Total Disbursements	<u>132,854</u>	<u>399,300</u>	<u>6,346,379</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(131,709)</u>		<u>890,971</u>
<b>Other Adjustments to Cash (Uses)</b>			
Transfers From Other Funds	978,491		2,355,331
Transfers To Other Funds	<u>(845,063)</u>		<u>(2,355,331)</u>
Total Other Adjustments to Cash (Uses)	<u>133,428</u>		
Net Change in Fund Balance	1,719		890,971
Fund Balance - Beginning		50	2,268,288
Fund Balance - Ending	<u>\$ 1,719</u>	<u>\$ 50</u>	<u>\$ 3,159,259</u>
<b>Composition of Fund Balance</b>			
Bank Balance	\$ 1,719	\$ 50	\$ 2,591,951
Less: Outstanding Checks			(358,144)
Certificates of Deposit			925,452
Fund Balance - Ending	<u>\$ 1,719</u>	<u>\$ 50</u>	<u>\$ 3,159,259</u>

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

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TO THE FINANCIAL STATEMENT**

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**METCALFE COUNTY  
NOTES TO FINANCIAL STATEMENT**

**June 30, 2022**

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

**A. Reporting Entity**

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

Metcalfe County Health Services, Inc. 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 of the Metcalfe County Health Services, Inc. can be obtained from the Metcalfe County Fiscal Court at 201 North Main Street, P.O. Box 149, Edmonton, KY 42129.

**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.



**METCALFE 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.

State Grants Fund - The primary purpose of this fund is to account for state grants and related disbursements.

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

Disaster Emergency Services (DES) Fund - The primary purpose of this fund is to account for receipts and disbursements related to DES services.

Ambulance Fund - The primary purpose of this fund is to account for receipts and disbursements related to providing ambulance services in the county.

Spay and Neuter Fund - The primary purpose of this fund is to account for receipts and disbursements associated with the services provided.

Homeland Security Fund - The primary purpose of this fund is to account for receipts and disbursements associated with homeland security.

American Rescue Plan Act Fund - The primary purpose of this fund is to account for receipts and disbursements of these federal funds. The primary sources of receipts for this fund are federal coronavirus grant funds.

**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 proceeds and debt service of revenue bonds that were issued to fund construction of public buildings.

**METCALFE 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. Metcalfe County Elected Officials**

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

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

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

**G. Long-term Obligations**

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

**H. Joint Ventures**

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based on this criteria, the following are considered joint ventures of the Metcalfe County Fiscal Court:

Edmonton-Metcalfe County Industrial Development Authority  
 Ambulance Service Corporation, Inc.  
 Barren Metcalfe Emergency Communications Center  
 Edmonton Metcalfe 911 Board

**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.

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

**Note 3. Transfers**

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

	General Fund	Road Fund	State Grants Fund	Federal Grants Fund	Homeland Security Fund	American Rescue Plan Act Fund	Total Transfers In
General Fund	\$	\$ 226,429	\$ 500	\$	\$ 39,848	\$ 568,599	\$ 835,376
Road Fund						276,464	276,464
Jail Fund	180,000						180,000
LGEA Fund	35,000						35,000
DES Fund	50,000						50,000
American Rescue Plan Act Fund	404			978,087			978,491
Total Transfers Out	<u>\$ 265,404</u>	<u>\$ 226,429</u>	<u>\$ 500</u>	<u>\$ 978,087</u>	<u>\$ 39,848</u>	<u>\$ 845,063</u>	<u>\$ 2,355,331</u>

Reason for transfers:

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

**Note 4. Leases**

**A. Lessor**

**1. Building**

On January 1, 2021, the Metcalfe County Fiscal Court began leasing a portion of the Adult Daycare building to Golden Years Adult Day Care, Inc. for the purpose of providing day care services for the adults and seniors of the community. The lease is for one year renewable annually by written agreement. The Metcalfe County Fiscal Court will receive monthly payments of \$1,200 for the lease and utilities. The Metcalfe County Fiscal Court recognized \$14,400 in lease revenue during the current fiscal year related to this lease. As of June 30, 2022, the Metcalfe County Fiscal Court's receivable for lease payments was \$7,200.

**2. Courthouse**

On September 1, 2010, the Metcalfe County Public Properties Corporation, a blended component unit of the fiscal court, began leasing the judicial center to the Administrative Office of the Courts (AOC). The lease is for two years and the rental payments shall agree to the annual principal and interest costs on the bonds issued for the construction of the building. On July 1 of each year, the lease may be renewed by AOC, for another biennial period of two years. The lease renewal shall automatically be considered to have been affirmatively exercised each year by AOC, unless notice of its election not to exercise the option for the biennial period be given by AOC to the corporation, the trustee, and the county in writing at least 60 days prior to the renewal date. The corporation recognized \$399,300 in lease revenue during the current fiscal year. As of June 30, 2022, the corporation's receivable for lease payments was \$402,675.

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

**Note 4. Leases (Continued)**

**B. Lessee**

**1. Office Equipment**

On July 14, 2020, the Metcalfe County 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 \$5,753. As of June 30, 2022, the value of the lease liability was \$2,876. The Metcalfe County Fiscal Court is required to make monthly payments of \$120. The remaining lease payments as of June 30, 2022, were as follows:

Fiscal Year Ended		
	June 30	Amount
	2023	\$ 1,438
	2024	1,438
	Total	<u>\$ 2,876</u>

**2. Office Equipment**

On July 14, 2020, the Metcalfe County 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 \$6,689. As of June 30, 2022, the value of the lease liability was \$3,344. The Metcalfe County Fiscal Court is required to make monthly payments of \$139. The remaining lease payments as of June 30, 2022, were as follows:

Fiscal Year Ended		
	June 30	Amount
	2023	\$ 1,672
	2024	1,672
	Total	<u>\$ 3,344</u>

**3. Postage Machine**

On September 20, 2019, the Metcalfe County Fiscal Court entered into a five-year lease agreement as lessee for the use of a postage machine. An initial lease liability was recorded in the amount of \$5,076. As of June 30, 2022, the value of the lease liability was \$2,538. The Metcalfe County Fiscal Court is required to make quarterly payments of \$282. The remaining lease payments as of June 30, 2022, were as follows:

Fiscal Year Ended		
	June 30	Amount
	2023	\$ 1,128
	2024	1,128
	2025	282
	Total	<u>\$ 2,538</u>

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

**Note 5. Long-term Debt**

**A. Direct Borrowings and Direct Placements**

**1. General Obligation Lease - Metcalfe County Government Center**

On August 9, 2017, the Metcalfe County Fiscal Court entered into a general obligation lease agreement with Kentucky Association Of Counties Finance Corporation using Financing Program Revenue Bonds, 2017 Series B, for the acquisition, construction, installation, and equipping of a county administration building. The principal amount of the lease was \$2,325,000. The agreement requires annual principal and semiannually interest payments at a rate of 3.37% for a period of 24 years. In the event of default, the outstanding balance becomes due immediately and potential legal proceedings to recover amounts due as possible. As of June 30, 2022, the principal balance was \$2,020,000. Future principal and interest requirements are:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2023	\$ 75,000	\$ 62,280
2024	75,000	59,280
2025	80,000	56,280
2026	85,000	53,080
2027	85,000	51,380
2028-2032	455,000	222,488
2033-2037	535,000	150,025
2038-2042	<u>630,000</u>	<u>59,469</u>
Totals	<u>\$ 2,020,000</u>	<u>\$ 714,282</u>

**2. Enrichment Center**

On March 1, 2002, the Metcalfe County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust for the construction of the Metcalfe County Enrichment Center. The principal amount of the lease was \$250,000. The agreement requires monthly principal and interest payments at various interest rates for a period of 20 years. This lease was paid off during fiscal year 2022.

**3. Enrichment Center - Land and Building**

On February 13, 2004, the Metcalfe County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust for the acquisition of land and additional building for the Metcalfe County Enrichment Center Project. The principal amount of the lease was \$162,000. The agreement requires annual principal and monthly interest payments at a rate of 3.88% for a period of 15 years. In the event of default, the outstanding balance becomes due immediately in addition to potential legal proceedings to recover amounts due. As of June 30, 2022, principal balance outstanding was \$22,365. Future principal and interest requirements are:

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

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

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

**3. Enrichment Center - Land and Building (Continued)**

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2023	\$ 10,967	\$ 478
2024	<u>11,398</u>	<u>38</u>
Totals	<u>\$ 22,365</u>	<u>\$ 516</u>

**4. Nursing Home**

On November 24, 2004, the Metcalfe County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust for the renovation of the Metcalfe County Nursing Home on behalf of the Metcalfe County Health Services, Inc. DBA Metcalfe Health Care Center, a component unit of the fiscal court (see Note 1.A.). The Metcalfe County Health Services, Inc. will make principal and interest payments to the fiscal court until paid in full. The principal amount of the lease was \$1,000,000. The agreement requires annual principal and monthly interest payments at a variable interest rate for a period of 20 years. In the event of default, the outstanding balance becomes due immediately in addition to potential legal proceedings to recover amounts due. As of June 30, 2022, principal balance outstanding was \$190,000. Future principal and interest requirements are:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2023	\$ 65,000	\$ 8,281
2024	70,000	3,937
2025	<u>55,000</u>	<u>301</u>
Totals	<u>\$ 190,000</u>	<u>\$ 12,519</u>

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

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

**B. Other Debt - First Mortgage Refunding Revenue Bonds, Series 2010**

The Metcalfe County Public Properties Corporation (PPC), an agency and instrumentality of the Metcalfe County Fiscal Court (fiscal court), issued obligations of \$4,180,000, dated September 29, 2010. The principal is payable in 13 annual installments beginning April 1, 2011 and interest is payable semiannually on April 1 and October 1 of each year at varying rates. The bonds were issued for the purpose of advance refunding the Metcalfe Public Properties Corporation First Mortgage Revenue Bonds, Series 2001, in the original amount of \$4,850,000 and Metcalfe County Public Properties Corporation First Mortgage Revenue Bonds, Series 2001B, in the original amount of \$400,000, which were issued for the purpose of the construction and equipping of a courthouse facility. The PPC entered into an agreement to lease the Metcalfe County Courthouse Facility to the fiscal court for the amount of the bond payments. The fiscal court has a sublease with Administrative Office of the Courts, Commonwealth of Kentucky, for approximately 100% of the Metcalfe County Courthouse Facility debt requirements. In the event of default, the bonds may be called and due immediately in addition to potential legal proceedings to recover amounts due. As of June 30, 2022, bonds outstanding were \$390,000. Future principal and interest requirements are:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2023	\$ 390,000	\$ 12,675
Totals	<u>\$ 390,000</u>	<u>\$ 12,675</u>

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

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Direct Borrowings and Direct Placements	\$ 2,396,646	\$	\$ 164,281	\$ 2,232,365	\$ 150,967
Other Debt	765,000		375,000	390,000	390,000
Total Long-term Debt	<u>\$ 3,161,646</u>	<u>\$ 0</u>	<u>\$ 539,281</u>	<u>\$ 2,622,365</u>	<u>\$ 540,967</u>



**METCALFE 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	Other Debt		Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
2023	\$ 390,000	\$ 12,675	\$ 150,967	\$ 71,039
2024			156,398	63,255
2025			135,000	56,581
2026			85,000	53,080
2027			85,000	51,380
2028-2032			455,000	222,488
2033-2037			535,000	150,025
2038-2042			630,000	59,469
Totals	<u>\$ 390,000</u>	<u>\$ 12,675</u>	<u>\$ 2,232,365</u>	<u>\$ 727,317</u>

**Note 6. Commitment Debt**

**A. Industrial Development Authority Building**

On September 22, 2015, the county adopted a resolution authorizing guarantee indebtedness of Edmonton-Metcalf Industrial Development Authority for construction of a spec building. On June 2, 2016 the county committed to \$350,000 of a \$1,000,304 construction loan agreement with a local bank as the guarantor in conjunction with the Edmonton-Metcalf County Industrial Authority. The Edmonton-Metcalf Industrial Development Authority refinanced the outstanding debt with a local bank on June 26, 2018, for \$417,421, for a period of three years. On June 17, 2021, this outstanding debt was refinanced again with a local bank for \$133,244 for a period of three years (which was later paid off in fiscal year 2023) along with a refinancing through the Tennessee Valley Authority on July 3, 2018 for \$325,000 for a period of 15 years. The Metcalfe County Fiscal Court along with the City of Edmonton are both committed to these obligations as of June 30, 2022.

**B. Waterlines**

On February 3, 2014, the Metcalfe County Fiscal Court entered into an inter-local agreement with the City of Edmonton, KY for repayment of Kentucky Infrastructure Authority Loan associated with waterline expansion in the county. The effective date of the loan from the Kentucky Infrastructure Authority was October 23, 2014. The principal amount of the loan was \$174,907. The agreement requires the City of Edmonton to provide semi-annual payments of principal, interest, and fees at a fixed interest rate for a period of ten years. The inter-local agreement requires the fiscal court to provide the debt service payments to repay this loan acquired by the City of Edmonton. The fiscal court's obligation shall continue until the KIA loan has been paid in full. The fiscal court agrees to reserve sufficient funds each year in its annual budget to provide for such payments.

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

**Note 7. Employee Retirement System**

The fiscal court has elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which is administered by the Board of Trustees of the Kentucky Retirement Systems (Ky. Ret. Sys.). This is a cost-sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Effective April 1, 2021, the Kentucky Public Pension Authority (KPPA) was created by KRS 61.505 to provide staffing and daily administrative needs for CERS and Ky. Ret. Sys. The CERS nine (9) member board of trustees is responsible for the governance of the CERS pension and insurance plans.

The county's contribution for FY 2020 was \$319,043, FY 2021 was \$308,145, and FY 2022 was \$368,801.

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.

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.

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

**Note 7. Employee Retirement System (Continued)**

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

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

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

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

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.

C. Cost of Living Adjustments - Tier 1

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

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

**Note 7. Employee Retirement System (Continued)**

Other Post-Employment Benefits (OPEB) (Continued)

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

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

**E. Death Benefit**

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

Annual Financial Report and Proportionate Share Audit Report

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

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

**Note 8. Deferred Compensation**

The Metcalfe 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.

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

**Note 9. Health Reimbursement Account**

On July 1, 2019, the Metcalfe County Fiscal Court elected to start a health reimbursement account for employees. The account is fully funded by the fiscal court at \$1,000 per employee each fiscal year. The funds are deposited into each employee's account at the beginning of each fiscal year. A third-party administrator processes the claims from the account as needed and a report is sent to the payroll officer for review. The unused portion of each employee's account is to be transferred back to the fiscal court at the end of each fiscal year. The available balance of the account as of June 30, 2022 was \$13,903.

**Note 10. Insurance**

For the fiscal year ended June 30, 2022, the Metcalfe 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.

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

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

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

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

	<b>GENERAL FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts, (Budgetary Basis)</b>	<b>Final Budget Positive (Negative)</b>
<b>RECEIPTS</b>				
Taxes	\$ 1,288,000	\$ 1,522,537	\$ 1,515,282	\$ (7,255)
In Lieu Tax Payments	200,000	200,000	135,135	(64,865)
Excess Fees	149,959	242,772	187,253	(55,519)
Licenses and Permits	8,000	49,513	57,204	7,691
Intergovernmental	175,800	175,926	143,522	(32,404)
Miscellaneous	307,100	362,018	262,188	(99,830)
Interest	2,600	2,600	989	(1,611)
Total Receipts	2,131,459	2,555,366	2,301,573	(253,793)
<b>DISBURSEMENTS</b>				
General Government	881,949	1,202,633	1,110,506	92,127
Protection to Persons and Property	144,000	147,452	133,352	14,100
General Health and Sanitation	129,481	129,481	128,381	1,100
Social Services	3,100	3,100	1,500	1,600
Recreation and Culture	2,000	2,250	250	2,000
Debt Service	346,000	346,000	281,899	64,101
Administration	846,358	945,879	607,869	338,010
Total Disbursements	2,352,888	2,776,795	2,263,757	513,038
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(221,429)	(221,429)	37,816	259,245
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	226,429	226,429	835,376	608,947
Transfers To Other Funds	(265,000)	(265,000)	(265,404)	(404)
Total Other Adjustments to Cash (Uses)	(38,571)	(38,571)	569,972	608,543
Net Change in Fund Balance	(260,000)	(260,000)	607,788	867,788
Fund Balance - Beginning	260,000	260,000	219,661	(40,339)
Fund Balance - Ending	\$ 0	\$ 0	\$ 827,449	\$ 827,449

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

<b>ROAD FUND</b>				
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>RECEIPTS</b>				
Intergovernmental	\$ 1,681,208	\$ 2,470,905	\$ 2,470,905	\$
Miscellaneous	50,500	62,172	11,672	(50,500)
Interest	4,200	4,200	1,352	(2,848)
Total Receipts	1,735,908	2,537,277	2,483,929	(53,348)
<b>DISBURSEMENTS</b>				
General Government	300	300	104	196
General Health and Sanitation	19,000	23,961	21,770	2,191
Roads	1,479,028	2,191,727	1,955,625	236,102
Debt Service	103,000	103,000		103,000
Administration	308,151	391,860	208,674	183,186
Total Disbursements	1,909,479	2,710,848	2,186,173	524,675
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(173,571)	(173,571)	297,756	471,327
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds			276,464	276,464
Transfers To Other Funds	(226,429)	(226,429)	(226,429)	
Total Other Adjustments to Cash (Uses)	(226,429)	(226,429)	50,035	276,464
Net Change in Fund Balance	(400,000)	(400,000)	347,791	747,791
Fund Balance - Beginning	400,000	400,000	149,511	(250,489)
Fund Balance - Ending	\$ 0	\$ 0	\$ 497,302	\$ 497,302

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

<b>JAIL FUND</b>				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Intergovernmental	\$ 93,500	\$ 93,818	\$ 87,213	\$ (6,605)
Miscellaneous	700	700		(700)
Interest	200	200	51	(149)
Total Receipts	94,400	94,718	87,264	(7,454)
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	237,437	250,337	246,279	4,058
Administration	36,963	42,286	22,969	19,317
Total Disbursements	274,400	292,623	269,248	23,375
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(180,000)	(197,905)	(181,984)	15,921
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	180,000	180,000	180,000	
Total Other Adjustments to Cash (Uses)	180,000	180,000	180,000	
Net Change in Fund Balance		(17,905)	(1,984)	15,921
Fund Balance - Beginning		17,905	17,905	
Fund Balance - Ending	\$ 0	\$ 0	\$ 15,921	\$ 15,921

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

<b>LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND</b>				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Intergovernmental	\$ 6,497	\$ 6,497	\$ 4,757	\$ (1,740)
Interest	100	100	5	(95)
Total Receipts	6,597	6,597	4,762	(1,835)
<b>DISBURSEMENTS</b>				
General Government	23,778	22,070	20,372	1,698
Social Services	4,500	4,875	4,875	
Administration	18,319	20,787	15,545	5,242
Total Disbursements	46,597	47,732	40,792	6,940
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(40,000)	(41,135)	(36,030)	5,105
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	35,000	35,000	35,000	
Total Other Adjustments to Cash (Uses)	35,000	35,000	35,000	
Net Change in Fund Balance	(5,000)	(6,135)	(1,030)	5,105
Fund Balance - Beginning	5,000	6,135	6,135	
Fund Balance - Ending	\$ 0	\$ 0	\$ 5,105	\$ 5,105

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

<b>STATE GRANTS FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 60,000	\$ 60,000	\$ 22,157	\$ (37,843)
Interest	500	500	284	(216)
Total Receipts	60,500	60,500	22,441	(38,059)
<b>DISBURSEMENTS</b>				
Protection to Persons and Property		6,157	6,157	
General Health and Sanitation	70,000	70,000	43,347	26,653
Administration	40,500	151,861		151,861
Total Disbursements	110,500	228,018	49,504	178,514
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(50,000)	(167,518)	(27,063)	140,455
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds			(500)	(500)
Total Other Adjustments to Cash (Uses)			(500)	(500)
Net Change in Fund Balance	(50,000)	(167,518)	(27,563)	139,955
Fund Balance - Beginning	50,000	167,518	167,518	
Fund Balance - Ending	\$ 0	\$ 0	\$ 139,955	\$ 139,955

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

	<b>FEDERAL GRANTS FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts, (Budgetary Basis)</b>	<b>Final Budget Positive (Negative)</b>
<b>RECEIPTS</b>				
Intergovernmental	\$ 2,415,000	\$ 2,415,000	\$ 1,511,537	\$ (903,463)
Interest	1,000	1,000	624	(376)
Total Receipts	2,416,000	2,416,000	1,512,161	(903,839)
<b>DISBURSEMENTS</b>				
General Government	63,000	63,000		63,000
Protection to Persons and Property	1,102,000	1,102,000		1,102,000
Capital Projects	1,250,000	1,373,229	533,450	839,779
Administration	401,000	277,771		277,771
Total Disbursements	2,816,000	2,816,000	533,450	2,282,550
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(400,000)	(400,000)	978,711	1,378,711
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds			(978,087)	(978,087)
Total Other Adjustments to Cash (Uses)			(978,087)	(978,087)
Net Change in Fund Balance	(400,000)	(400,000)	624	400,624
Fund Balance - Beginning	400,000	400,000	345,329	(54,671)
Fund Balance - Ending	\$ 0	\$ 0	\$ 345,953	\$ 345,953

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

<b>DISASTER EMERGENCY SERVICES FUND</b>				
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>RECEIPTS</b>				
Intergovernmental	\$ 35,750	\$ 35,750	\$ 25,992	\$ (9,758)
Interest	100	100	7	(93)
Total Receipts	35,850	35,850	25,999	(9,851)
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	60,242	60,775	55,781	4,994
Administration	35,608	40,474	25,370	15,104
Total Disbursements	95,850	101,249	81,151	20,098
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(60,000)	(65,399)	(55,152)	10,247
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	50,000	50,000	50,000	
Total Other Adjustments to Cash (Uses)	50,000	50,000	50,000	
Net Change in Fund Balance	(10,000)	(15,399)	(5,152)	10,247
Fund Balance - Beginning	10,000	15,399	15,399	
Fund Balance - Ending	\$ 0	\$ 0	\$ 10,247	\$ 10,247

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

<b>AMBULANCE FUND</b>				
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts, (Budgetary Basis)</b>	<b>Final Budget Positive (Negative)</b>
<b>RECEIPTS</b>				
Taxes	\$ 262,000	\$ 339,287	\$ 334,404	\$ (4,883)
Intergovernmental	263,000	263,000	12,127	(250,873)
Interest	13,000	14,578	12,395	(2,183)
Total Receipts	538,000	616,865	358,926	(257,939)
<b>DISBURSEMENTS</b>				
General Government	10,000	10,000		10,000
Protection to Persons and Property	400,000	400,000	389,600	10,400
Administration	1,312,000	1,549,271		1,549,271
Total Disbursements	1,722,000	1,959,271	389,600	1,569,671
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,184,000)	(1,342,406)	(30,674)	1,311,732
Net Change in Fund Balance	(1,184,000)	(1,342,406)	(30,674)	1,311,732
Fund Balance - Beginning	1,184,000	1,342,406	1,342,406	
Fund Balance - Ending	\$ 0	\$ 0	\$ 1,311,732	\$ 1,311,732



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

<b>SPAY AND NEUTER FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 5,000	\$ 5,000	\$	\$ (5,000)
Interest	20	20	1	(19)
Total Receipts	5,020	5,020	1	(5,019)
<b>DISBURSEMENTS</b>				
General Government	5,000	5,000	550	4,450
Administration	1,020	2,887		2,887
Total Disbursements	6,020	7,887	550	7,337
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,000)	(2,867)	(549)	2,318
Net Change in Fund Balance	(1,000)	(2,867)	(549)	2,318
Fund Balance - Beginning	1,000	2,867	2,867	
Fund Balance - Ending	\$ 0	\$ 0	\$ 2,318	\$ 2,318

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

<b>HOMELAND SECURITY FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 40,000	\$ 40,000	\$ 39,848	\$ (152)
Interest	100	100	1	(99)
Total Receipts	40,100	40,100	39,849	(251)
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	40,000	40,000		40,000
Administration	1,300	1,607		1,607
Total Disbursements	41,300	41,607		41,607
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,200)	(1,507)	39,849	41,356
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds			(39,848)	(39,848)
Total Other Adjustments to Cash (Uses)			(39,848)	(39,848)
Net Change in Fund Balance	(1,200)	(1,507)	1	1,508
Fund Balance - Beginning	1,200	1,507	1,507	
Fund Balance - Ending	\$ 0	\$ 0	\$ 1,508	\$ 1,508

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

<b>AMERICAN RESCUE PLAN ACT FUND</b>			
	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original	Final	
<b>RECEIPTS</b>			
Interest	\$	\$ 1,145	\$ 1,145
Total Receipts		1,145	1,145
<b>DISBURSEMENTS</b>			
General Government		108,581	108,581
Administration		(107,436)	24,273
Total Disbursements		1,145	132,854
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			(131,709)
<b>Other Adjustments to Cash (Uses)</b>			
Transfers From Other Funds			978,491
Transfers To Other Funds			(845,063)
Total Other Adjustments to Cash (Uses)			133,428
Net Change in Fund Balance			1,719
Fund Balance - Beginning			
Fund Balance - Ending	\$ 0	\$ 0	\$ 1,719

**METCALFE 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**

American Rescue Plan Act Fund, total disbursements and administration line item, exceeded budgeted appropriations by \$131,709.

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

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

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

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

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 1,113,036	\$	\$	\$ 1,113,036
Buildings and Building Improvements	12,289,327			12,289,327
Machinery and Equipment	2,059,975			2,059,975
Vehicle	903,959	20,500		924,459
Infrastructure	8,124,583	423,301		8,547,884
 Total Capital Assets	 <u>\$ 24,490,880</u>	 <u>\$ 443,801</u>	 <u>\$ 0</u>	 <u>\$ 24,934,681</u>

**METCALFE 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 and Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Machinery and Equipment	\$ 2,500	3-25
Vehicle	\$ 2,500	3-25
Infrastructure	\$ 10,000	10-50



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

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

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 Larry Wilson, Metcalfe County Judge/Executive  
The Honorable Harold Stilts, Former Metcalfe County Judge/Executive  
Members of the Metcalfe 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 Metcalfe County Fiscal Court for the fiscal year ended June 30, 2022, and the related notes to the financial statement which collectively comprise the Metcalfe County Fiscal Court's financial statement and have issued our report thereon dated February 21, 2023.

**Internal Control Over Financial Reporting**

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2022-001, 2022-003, and 2022-005 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 Metcalfe 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, 2022-002, 2022-003, 2022-004, and 2022-005.

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

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

**Purpose of this Report**

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

Respectfully submitted,

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

Mike Harmon  
Auditor of Public Accounts  
Frankfort, Ky

February 21, 2023

**METCALFE COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES**

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

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**METCALFE COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES**

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

FINANCIAL STATEMENT FINDINGS:

2022-001    The Metcalfe County Fiscal Court Did Not Approve Changes To The American Rescue Plan Act Fund Budget

---

The Metcalfe County Fiscal Court received \$978,087 in American Rescue Plan Act (ARPA) money during fiscal year 2022. This amount was budgeted and deposited to the federal grants fund. The fiscal court approved a cash transfer of this money from the federal grants fund to the ARPA fund on August 24, 2021; however, the fiscal court failed to approve a budget amendment or a budget appropriations transfer of these ARPA monies to the reserve for transfer line item in the ARPA fund. The fiscal court approved budget appropriations transfers of \$132,854 from the reserve for transfer line item to other disbursement line items in the ARPA fund budget without appropriate funds being available in the reserve for transfers line item. Further, \$103,199 of budget appropriation transfers within the ARPA fund were approved by fiscal court after the disbursement had already been paid out to the vendor.

The fiscal court approved disbursement code line items for the ARPA fund budget on November 9, 2021, to track ARPA fund receipts and disbursements. There were no figures added at the time and the minutes stated fiscal court would do budget transfers as needed; however, as noted above, budgeted transfer of funds into the ARPA fund was not completed. The fiscal court approved the cash transfer of funds from the federal grants fund to the ARPA fund but did not realize a budget appropriations transfer of funds was also necessary. Further, when preparing the fourth quarter report, \$978,000 was erroneously reported in the original budget column of the reserve for transfer line item of the ARPA fund making it appear as though sufficient budget was available in this line item. As a result, \$131,709 of ARPA fund disbursements were spent without sufficient budget in these line item amounts, and the original budget column on the fourth quarter report was materially misstated.

Strong internal controls over the budget preparation and reporting processes are vital to ensure the fiscal court's financial reports accurately reflect the financial activity of the fiscal court, as well as adherence to applicable laws and regulations.

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* states, "[i]ntrafund transfers are transfers of appropriations from one line item to another within the same fund... By court order, transfers (of appropriation) may be made directly from one line item to another or channeled through 9200-999. The total of these transfers should equal zero within the same fund. All transfers require a court order." The manual further states, "[i]t is necessary to amend the budget to reflect the receipt and expenditure of funds received through a state or federal grant if that grant was not part of the original budget document. An amendment of this nature should be made immediately upon receipt of those funds."

KRS 68.300 states, "[a]ny appropriation made or claim allowed by the fiscal court in excess of any budget fund, and any warrant or contract not within the budget appropriation, shall be void. No member of the fiscal court shall vote for any such illegal appropriation or claim. The county treasurer shall be liable on his official bond for the amount of any county warrant willfully or negligently signed or countersigned by him in excess of the budget fund out of which the warrant is payable."

We recommend the Metcalfe County Fiscal Court strengthen oversight and internal controls over financial reporting in order to ensure complete and accurate records are maintained. Further, we recommend the fiscal court ensure all line items, as well as all funds are properly budgeted. The budget should be reviewed periodically by management and department heads, and always before a purchase order is approved and the expenditure is completed. Budget transfers or budget amendments should be prepared and reported properly on the fourth quarter report.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2022-001 The Metcalfe County Fiscal Court Did Not Approve Changes To The American Rescue Plan Act Fund Budget (Continued)

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Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: This was new "Money" that required a new checking account and a new budget account. Since this was the first installment of the money, it had to be deposited to the Federal Grants Fund, and later transferred to the new ARPA Fund. The Finance Officer performed an Interfund Transfer thinking the transfer would correctly appropriate the funds to the Reserve For Transfer Line. She was not aware that one step more needed to be performed as a Budget Amendment. Any new monies deposited into a new account will be included in a budget amendment in the future.*

2022-002 The Metcalfe County Treasurer Did Not Submit An Annual Settlement To The Fiscal Court

---

The Metcalfe County Treasurer prepared an annual settlement for fiscal year ended June 30, 2022; however, the annual settlement was not submitted to the fiscal court for review and approval. The county treasurer stated she was not aware she had to submit her annual settlement to the fiscal court for approval. The county treasurer was not in compliance with KRS 68.020 and 68.030 and the county administrative code as it pertains to duties of the county treasurer.

The Metcalfe County Administrative Code chapter 8 section (8)(a) details duties of the county treasurer and states the county treasurer shall "[k]eep financial records and make reports as set out in KRS 68.210, 68.020, 68.300, 68.360 and 66.480 and must also keep records as required by the Uniform System of Accounts for Kentucky."

KRS 68.020(5) states, "[t]he county treasurer shall, when required by the fiscal court, settle his accounts as county treasurer, and within thirty (30) days after the close of each fiscal year, he shall, unless his immediate predecessor has done so, make a full and complete settlement for the preceding fiscal year with the fiscal court or with a person or persons whom the fiscal court, by order of record, appoints to make settlement with him."

KRS 68.030 states, "[e]ach settlement made by the county treasurer shall be approved by the fiscal court in open court, and shall, by order of the fiscal court, be recorded by the county clerk in a book kept for that purpose. The original shall be filed in the county clerk's office and preserved as a record of the court."

We recommend the county treasurer submit a full and complete annual settlement to the fiscal court for the next fiscal year within 30 days after the close of the fiscal year to be in compliance with the fiscal court's administrative code and state statutes.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: The County Treasurer prepared the Annual Settlement and sent it in to the Department of Local Government. She was not aware that it needed to be presented to and approved by Fiscal Court. In the future, the County Treasurer will present the Annual Settlement to Fiscal Court for approval before sending it to the Department of Local Government.*



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

FINANCIAL STATEMENT FINDINGS: (Continued)

2022-003 The Metcalfe County Fiscal Court Does Not Have Controls Over Disbursements

During fiscal year 2022, the Metcalfe County Fiscal Court had material weaknesses in internal control and noncompliances over disbursements. The following findings were noted regarding the fiscal court's disbursements:

- Sixty-seven of 89 disbursements tested in the amount of \$2,851,410 did not have purchase orders issued before the item was purchased or service was performed.
- One of 89 disbursements tested in amount of \$11,500 did not have a purchase order. This disbursement was for a road department vehicle and the check written to pay for it was not signed by the county treasurer.
- Twenty of 89 disbursements tested in the amount of \$1,520,294 exceeded available line-item appropriation when the purchase orders were issued. Seven of these 20 disbursements in the amount of \$564,051 were paid before the budget transfer was made.
- Twenty of 35 claims tested paid in July 2022, totaling \$310,131 should have been included as encumbrances on the fourth quarter financial statement for fiscal year 2022.
- An invoice paid in July 2021, in the amount of \$216,126 for June 2021 road paving did not have detail or tickets of when the work was done.
- Three of 89 disbursements tested totaling \$305,921 were not paid within 30 working days of receipt.

The finance officer stated that employees do not call and request purchase orders before making purchases so she cannot issue the purchase order until she receives the invoices. She has always issued the purchase orders for utilities and contributions when she receives the invoices. The finance officer also stated the county treasurer was on vacation out of state when the road department vehicle was purchased. The former county judge/executive was adamant that the check be cosigned by the finance officer so the vendor could be paid immediately. He insisted she cosign the check even when she told him that all checks had to be signed by the county treasurer. The finance officer further stated that the former county judge/executive wanted disbursements that already had fiscal court approval paid as soon as possible even when a line item did not have enough available budget. She stated she would pay them if she knew she had enough budget in the reserve for transfers line item to make a budget transfer at the next meeting. Additionally, the finance officer stated the former county/judge executive took care of the tickets for road paving and she did not know why the tickets for June 2021 road paving were not filed. The county treasurer stated that they did not have any encumbrances because they paid all invoices outstanding as of June 30.

The issues noted above could result in line-items being over budget, claims being paid which are not valid obligations of the fiscal court, inaccurate reporting, and misappropriation of assets. Due to the purchase order process not working as designed, outstanding invoices were not listed as encumbrances on the fourth quarter report.

KRS 68.300 states, in part, "[a]ny appropriation made or claim allowed by the fiscal court in excess of any budget fund, and any warrant or contract not within the budget appropriation, shall be void."

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The uniform system of accounts is set forth in the Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual* which requires a purchase order system for all counties and each fiscal court is responsible for ensuring their purchase order system is executed and working properly.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2022-003 The Metcalfe County Fiscal Court Does Not Have Controls Over Disbursements (Continued)

According to a memorandum from DLG dated August 4, 2016, “[t]he main purpose of this system is to ensure that purchases can be made if there are sufficient appropriations available within the amount of line items in the county’s budget. Because of this, it is a requirement by the State Local Finance Officer that all counties have a purchase order system and follow the guidelines prescribed on Page 54 of the *County Budget Preparation and State Local Finance Officer Policy Manual*.” Furthermore, DLG highly recommends that counties accept the practice of issuing purchase orders for payroll and utility claims.

The manual further states “[p]urchases shall not be made without approval by the judge/executive (or designee), and/or a department head” and “[p]urchase requests shall not be approved in an amount that exceeds the available line item appropriation unless the necessary and appropriate transfers have been made.” The manual requires reporting unpaid purchase orders as encumbrances in section I of the summary and reconciliation portion of the quarterly financial statement. The county treasurer should according to the manual “[e]nter the total dollar amount of unpaid purchase orders from the purchase order journal” as encumbrances and then “[s]ubtract total encumbrances from the cash balance. This figure represents the ‘uncommitted cash’ available” or the unencumbered cash balance.

In addition, Metcalfe County Administrative Code and Employee Policy And Procedure Handbook General Purchase Procedures section A states, “[a]ll purchases must be verified and approved by the issuance of a purchase order if the County budget has the proper appropriation for the Department’s line item. When the vendor submits an invoice the purchase order number must be indicated; invoices without a purchase order number will not be paid. Sufficient funds must also exist in the department’s particular line item from which the purchases will be paid. The county Judge/Executive, County Treasurer, and/or Finance Officer shall complete the purchase order form and signify their approval of the purchases by their signature or other appropriate method.”

KRS 68.020(1) states, in part, “[a]ll warrants for the payment of funds from the county treasury shall be co-signed by the county treasurer and the county judge/executive.” The Metcalfe County Administrative Code and Employee Policy And Procedure Handbook Claims against the County section H states “[t]he depositor of Metcalfe County funds shall not honor any warrant on the county unless it is signed by both the County Judge/Executive and the County Treasurer. In the absence of the County Judge/Executive, the Finance Officer may sign.”

KRS 65.140(2), states, in part, “all bills for goods or services shall be paid within thirty (30) working days of receipts of a vendor’s invoice[.]”

Proper internal controls over disbursements are important to ensure purchase orders are created when sufficient funds are available, include proper supporting proper supporting documentation, and are paid in a timely manner.

We recommend the Metcalfe County Fiscal Court strengthen internal controls over disbursements by ensuring purchase orders are issued prior to all purchases being made, all invoices are paid within 30 working days, all checks are signed by the county treasurer, and all invoices have detailed supporting documentation. We further recommend the fiscal court use the purchase orders to keep an accurate list of encumbrances.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2022-003 The Metcalfe County Fiscal Court Does Not Have Controls Over Disbursements (Continued)

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: In the future we will try to make sure that all departments request a Purchase Order prior to making a purchase. Regarding invoices for road paving, we do request detailed tickets, but do not always receive them. Disbursements not paid within 30 days of receipt, is due to the work not being complete within the 30 working days of receiving the invoice. Once the work has been completed, then disbursements will be paid.*

2022-004 The Metcalfe County Fiscal Court Did Not Properly Award Bids

The Metcalfe County Fiscal Court did not properly award bids for asphalt hot mix for surfacing roads and fuel oil for roads for fiscal year ended June 30, 2022. After being properly advertised, bids were obtained and opened for asphalt hot mix for surfacing roads and fuel oil for roads at the fiscal court meeting on May 11, 2021. The fiscal court voted at that meeting to award bids for yearly supplies on May 25, 2021. However, at the fiscal court meeting on May 25, 2021, the fiscal court failed to award or reject the only bid received for asphalt hot mix for surfacing roads and awarded all bids received for fuel oil for roads without explaining why they were accepting all bids.

The county treasurer stated the county judge/executive was absent the day the bids were accepted, and a magistrate conducted the meeting. She believes the magistrate either did not state the acceptance of the bid separately for the contract patching which was on the same sheet or the acceptance was accidentally omitted from the minutes. The county treasurer further stated that she believed that both bids were awarded for fuel oil for roads because the companies did not bid on every single type of road oil.

By not formally accepting one of the competitive bids, the fiscal court was not in compliance with procurement laws or the fiscal court's administrative code. Furthermore, the fiscal court may not have received the best value for services or products.

KRS 178.140(1) states, "[a]ll bids for the construction or maintenance of county roads and bridges shall be received at the time and place specified in the advertisement, and shall be opened publicly at the time of awarding, and the amount of items comprising each bid shall be publicly announced." KRS 178.140(2) states, in part, "[t]he contract shall be awarded to the lowest and best bidder[.]" Additionally, the Metcalfe County Administrative Code and Employee Policy And Procedure Handbook Bid and Award Procedures section B states, "[c]ompetitive bids must be received on all purchases where (a) an individual item exceeds Thirty Thousand Dollars (\$30,000); (b) the total purchase order exceeds Thirty Thousand Dollars (\$30,000); and/or a recurring purchase is less than Thirty Thousand Dollars (\$30,000) per order, but the total for the fiscal year exceeds Thirty Thousand Dollars (\$30,000) or there is a reasonable expectation that the total annual purchase value will exceed Thirty Thousand Dollars (\$30,000) based on historical purchasing records. All purchases covered by competitive bids must be authorized and must be approved by Fiscal Court. In all cases, all activities of the Purchasing Department must comply with the Kentucky Revised Statutes and all County Ordinances." The Bid and Award Procedures section of the administrative code also states that after the bids are advertised in the newspaper, the county judge/executive "shall open all bids publicly at the time and place stated in the advertisement. Opening of the bids need not occur at a Fiscal Court meeting." After the bids are open, "the County Judge/Executive and Fiscal Court then decides whether or not to award the bid. The Fiscal Court has the right to accept and/or reject any and all bids."

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2022-004 The Metcalfe County Fiscal Court Did Not Properly Award Bids (Continued)

KRS 67.100(1) states “[t]he fiscal court is a court of record. Minutes of the proceedings of each meeting shall be prepared and submitted for approval at the next succeeding meeting.” KRS 67.100(2) further states “[e]very official action of the fiscal court shall be made a part of the permanent records of the county.” In addition, the Procedures for Meetings of Fiscal Court section of the administrative code states “[t]he clerk of the Fiscal Court shall attend all meetings of the Fiscal Court and keep a full and complete record of its proceedings.”

We recommend the fiscal court comply with procurement laws and their administrative code by documenting the awarding or rejecting of bids received in the fiscal court minutes. In addition, bids related to road maintenance and construction should be awarded to the lowest and best bidder with the decision documented in the fiscal court minutes.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive’s Response: Due the County Judge Executive being absent for the Fiscal court meeting where Annual Supply bids were awarded, the meeting was conducted by a Magistrate. The finding of “Bids not being properly awarded”, was because either the acceptance of the bid was not stated for the contract patching, which was on the same bid sheet, or the acceptance was inadvertently omitted from the minutes. Both Bids were awarded for fuel oil for roads because the companies did not bid on every single type of road oil. In the future, we will make sure that all bids awarded separately and verbally, as well as, making sure all awards are recorded in the minutes.*

2022-005 The Metcalfe County Fiscal Court Did Not Accurately Report Debt On The Fourth Quarter Financial Statement Liabilities Schedule

The debt schedule presented with the fourth quarter report did not accurately report debt obligations of the county. The quarterly report overstated the total debt principal and interest balances for Metcalfe County by \$886,693 and \$185,079, respectively.

The fiscal court did not have controls in place to ensure that debt obligations were properly reported on the fourth quarter report. By not accurately reporting debt, the county is not in compliance with KRS 68.210. In addition, the fiscal court does not have accurate information for future financial decisions.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The uniform system of accounts is set forth in the *County Budget Preparation and State Local Finance Officer Policy Manual*, which requires all county debt be reflected properly on the quarterly financial statement.

We recommend the fiscal court ensure the correct debt liabilities are shown on the liabilities page of all financial statements presented to the fiscal court and the Department for Local Government.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive’s Response: We believe this is a software issue and we are working to get this corrected.*

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

**METCALFE COUNTY FISCAL COURT**

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

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CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE  
METCALFE COUNTY FISCAL COURT

For The Year Ended June 30, 2022

The Metcalfe County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

  
County Judge/Executive

  
County Treasurer